

MANUFACTURING — RUBBER & PRODUCTS

1988 — 1989

# Phoenix lives up to its promise

*Star*  
*2/2/88*  
*196*

By Ann Crotty

At the time of its listing on the Development Capital Market last October, Durban-based Phoenix Rubber appeared to have all the ingredients for success: sound management, sound strategy, sound balance sheet and sound reasons for wanting a listing. The excellent interim results it has just announced will be gratifying to supporters of the DCM.

In the six months to December, taxed income increased by 349 percent to R431 000 on a turnover that was up 54 percent to just over R7 million. The performance at income level is equivalent to earnings per share of 4,1c. An interim dividend of 1,5c a share has been declared.

The actual interim results compare very favourably with forecasts made at the time of the listing. At that stage management was looking to taxed income of R306 000 and earnings of 2,9c a share. A better-than-budgeted performance from two acquisitions helped the first-half figures.

Chairman and managing director Hans Schutz appears to be confident about the second half, noting that: "Traditionally the second half of the year reflects better results than the first half and it is expected that earnings should again be ahead of forecast." Prospects are enhanced by new business that the group is developing in two areas of import replacement, one of which relates to the poultry industry and the other to the dairy industry.

SAFETY 17/2/68

## Tyre prices

up 10% SOON

OWN CORRESPONDENT

PORT ELIZABETH. —  
Tyre prices are to be increased by between 10% and 11%.

The price increases will probably come into effect from March 1.

The price of Firestone tyres went up by 11% on Monday.

Most tyre manufacturers here said yesterday that they could not yet give a specific increase figure, but said it would be between 10% and 11%.

One manufacturer said he thought their increase would be below 10%.

# Darmag's <sup>DID 575788</sup> UP 60% ~~783~~ 196

by Matthew Moonieya  
business editor

EAST LONDON — Darmag, the East London specialist in plastics conversion and rubber manufacturing which grew from a small operation into a major supplier, has achieved a 60.5% increase in income for the year attributable to ordinary shareholders.

Income attributable to ordinary shareholders of R2 248 000 was achieved for the year ending February on a turnover of R18 893 000.

This exceeds forecasts made by the managing director, Mr Monty Dersley, before the listing on the main board of the Johannesburg Stock Exchange last year.

Mr Dersley, confident

Earnings a share are 11c (76c) and a maiden

dividend of 2c a share has been declared. On an annualised basis, it gives a yield of 4 percent on the current share price of R1.

Mr Dersley attributed the increase in profits primarily to improved sales volumes which were up 21% on the previous year.

"It is also due to increased efficiency and economies of scale," Mr Dersley said.

In 1983, Darmag had a turnover of R500 000 compared with a forecast for R17,4 million this year.

Mr Dersley said each of the group divisions performed above expectations.

"The introduction of new products into both the plastics and rubber divisions towards the last quarter of the year had a significant impact

on sales and market share.

Darmag's plastics division, which supplies plastic battery components to the automotive and industrial markets, has diversified into supplying the electronics industry.

Plant and equipment on order will be located in the company's new 7 000 m<sup>2</sup> factory being built at Fort Jackson and scheduled to be ready by August.

Mr Dersley anticipates substantial tax savings as well as improved performance in the coming year.

"The new equipment we are installing and the greater capacity will accommodate the increased demand expected.

Darmag acquired the remaining 24% in

Acuma SA, a subsidiary company, two months ago while retaining a 10-year technology agreement which ensured a continued advanced level of technology in the plastics division.

The rubber division, supplying battery components and solid rubber tyres to varied industries, has benefited from new products introduced.

"We now manufacture the widest range of solid tyres in South Africa," Mr Dersley said.

There were also additional projects under review which are expected to make a significant contribution to growth which is expected to boost forecast earnings.

"Overall we are confident that we will be able to maintain our historic high growth rate," Mr Dersley said.



CP 19/5/88  
Protests at

multi-national

Own Correspondent

LONDON. — Sir Owen Green, chairman of the multi-national conglomerate BTR faced a large anti-apartheid demonstration at the annual shareholders meeting over the labour dispute at their Dunlop subsidiary in Natal.

He rejected appeals from National Union of Metalworkers of South Africa (Numsa) executive members and British TUC delegates, who said said BTR headquarters had a moral duty to intervene and secure a just settlement.

Sir Green said the Natal dispute was strictly the business of local management.

196

9/17/88  
Tyre strike ends  
PORT ELIZABETH —  
The month-old strike involving 900 workers at Goodyear in Uitenhage came to an end yesterday after the Industrial Council for the Tyre and Rubber Industry urged all workers to return to work by tomorrow morning. Goodyear manager public relations Mr Mike London said. — Sapa

# Goodyear strikers due back on job

BRONWYN ADAMS

THE month-old strike involving 900 workers at the Goodyear plant in Uitenhage came to an end yesterday after the Industrial Council for the tyre and rubber industry urged all workers to return to work today.

Volkswagen GM Ronnie Kruger said all 4 500 Volkswagen workers striking in sympathy with the Goodyear workers returned to work yesterday.

Goodyear PR manager Mike London said the company was hoping a full shift would turn out this morning.

The workers downed tools on May 13 after management announced an extension of working hours. Workers began their strike after management dismissed 31 workers for violence.

*196*

*Blair  
14/6/88*

For fifth successive year . . .

# Trencor hits record profits

CME Tails  
23/8/88

By AUDREY D'ANGELO  
Financial Editor

196

C A P E  
T O W N -  
based Trencor, the transport, tyre and manufacturing company which did well even in the recession, achieved record profits for the fifth successive year.



Neil Jowell

Turnover for the year to June 30 is up by 29% to R514m, and attributable income has risen by an impressive 64% to R36m (R22m).

Earnings rose to 253,7c (154,3c) a share and the final dividend is 40c (22c) a share. This makes a total of 50c (30c) for the year, an increase of 67%, with the cover an unchanged 5,1 times.

Chairman Neil Jowell, whose comments are always cautious, said that what he had identified a year ago as "a modest upturn" in the economy had proved much stronger.

And although he warned that domestic prospects were uncertain he said that the international container

market, which made a larger contribution than expected to export earnings, "is expected to remain buoyant in the year ahead".

Jowell said that although the dividend cover remained high "the board feels it is appropriate bearing in mind the large increase in dividend this year and the stage we are at in the business cycle."

He said the ratio of interest bearing debt to equity had increased to 33% from 24% the previous year, largely as a result of increased working capital requirements and expenditure on fixed assets. But it was nevertheless at a satisfactory level.

"Our strong financial position will enable us to capitalize on growth opportunities likely to occur in the present financial year."

● Mobile, which owns 48% of Trencor, has also achieved record results.

The directors say its 74% subsidiary Mobile Acceptances, which is engaged in financial and leasing activities, "had a good year in the face of strong competition".

Mobile lifted pre-tax income to R4,7m (R3,3m) and after-tax income to R4,1m (R2,8m).

Its share of Trencor profits rose to R14m (R8,5m) and attributable income to shareholders was R17,9m (R11,1m).

The final dividend was 11,40c (6,70c) a share, making a total of 13,75c (8,57c) with a slightly higher cover of 4,6 times (4,5 times).

New trend in property development Closing gold

... in general economic conditions over



# Out with the old, in with the new

## FSI cleans out the stables

THREE weeks ago Terry Rolfe, one of Jeff Liebesman's right-hand men in FSI, fired virtually the entire head office staff of General Tyre and Uniroyal.

About 120 people were displaced. The head office building will be sold and the HQ will move to Port Elizabeth. Mr Rolfe says the rationalisation will save about R10-million a year in personnel costs alone.

"In Gentyre I discovered two potentially efficient factories dominated and stifled by head office."

"There's a tyre factory at Port Elizabeth and an industrial rubber goods factory on the Reef. The head office was at Booyss, Johannesburg. Any time either factory manager wanted a major decision, he would have to ask head office — and wait while the memos shuffled backwards and forwards. "There was a communication gap between the plants

and HQ. I discovered a disastrous marketing plan. They were spending most of their advertising outlay on Continental, top-of-the-range tyres, which are for a small niche market of expensive cars — and neglecting their bread-and-butter lines for the mass market.

### BURDEN

"Now the paper shufflers are gone, and the first-rate factory managers who were always there feel as if a great burden has been lifted from their shoulders."

Mr Rolfe, like Mr Liebesman, has a simple philosophy. If someone on the payroll does not improve the product or the service, he goes. He believes it is no great kindness to relieve a man of a position to which he is not suited or where he makes no real contribution, pro-

vided the terms of severance are generous. Either he will move to something to which he is better suited, or he will find another comfortable spot, unnoted, as a drone in some other organisation.

The type of purge that Gentyre has been through has another healthy effect. People who know they have nothing to contribute tend to move out voluntarily as they find the heat intensifying. Those who rise to a challenge go for it as never before.

The objective in all FSI plants is the same — more profit from everyone. At National Bolt, the payroll has been slashed from 2 200 four years ago to 800. Allan Schlessinger's team produces more bolts and vastly more money than before.

FSI Group is a demanding employer. Executives are paid a pretty packet and the company expects their souls

in return. There is no industrial relations bureaucracy and not a token black in sight. There is also not much angst about labour relations.

Mr Rolfe insists labour relations are good. He seems to have numerous buddies on the Nabholt shop floor. In the strike-torn Eastern Cape, General Tyre has not had a major strike for nine years. There have been troubles in other plants, but nothing major. But I sensed a surly attitude among workers at Gentyre and Burhose.

### BUDDIES

Mr Rolfe believes the trouble with most conglomerates is that they are too hierarchical and the top people in the operating companies all aspire to plum jobs at head office. This riddles them with corporate politics. The FSI idea is that head office should comprise five or six people

and the operations people should make their businesses grow — and reap rich rewards for themselves.

"We want a flat structure with maximum autonomy in the operations. We set financial parameters and they get on with it their way. Executives do not spend all their time reporting to head office."

"They get on with sweating the assets, growing their companies, making money. We don't prescribe group policy in industrial relations, company cars, etc. It's up to the boss of each operation." The four operations I visited — Nabholt and Port Scalf Industries in Port Elizabeth, Gentyre in Port Elizabeth

and Burhose at Estcourt, Natal — are destined to go into Hunts, the group industrial holding company.

I describe Nabholt and Gentyre in two other reports on this page and deal there with Burhose and Port Scalf Industries.

Ivan Posnak, a group operations director with Mr Rolfe, came into the top team at FSI through W&A. He was a right-hand man of Manasse Simshovitz. Mr Posnak is a chartered accountant-industrialist and like Mr Liebesman and Mr Rolfe, is a fit and handsome man. He came first in a CA board examination. Among many other briefs, he is Group industrial rela-

tions expert and chairman of Burhose, SA's biggest stocking and hosiery manufacturer.

Burhose claims 65% of the stocking and pantihose market. It makes 5-million dozen — 60-million pairs — of pantihose, stockings and socks a year at its Estcourt factory and aims at 6-million dozen next year. Burhose cannot keep up with demand and has lately secured lucrative export contracts.

Prospects, says Mr Posnak, are outstanding. The company is unlisted and does not disclose its super profits. Form-Scalf Industries is also operating at full tilt, making a mint, which is hiding from view in the top company.

When Mr Liebesman bought control of the scarf-folding firm of which he was auditor, he did several astute things.

### FULL TILT

First, he offered to buy old equipment from customers of rival scarfolding firms. He repurchased the equipment and sold it at a profit overseas. Customers were won over to Form-Scalf's scarfolding systems, which, it claims, were superior.

The next inspired step was to hire out scarfolding equipment, not sell it. This way it was paid for many times. Customers were happy because they were not stuck with piles of steel in awkward places on completion of contracts.

Next he jacked up the service Form-Scalf offered. Form-Scalf set up a design and drawing office, enabling client engineers to plan the

cluding two daughters, are accomplished scuba divers. He is a Natal-trained chartered accountant, but never practised as an auditor. He considers himself an industrialist more than a number cruncher.

"I reckon I can walk through a factory and guess the shape of the balance sheet and the income statement by what I see on the floor." Notwithstanding brilliant results from all FSI's subsidiaries in the year to June, Mr Rolfe and the rest of the team at FSI believe they cannot be judged by dead historical numbers, that anyone wishing to assess them must walk through the plants.

Mr Rolfe took me walkabout through four key FSI plants in the past three weeks.

most complex structures using Form-Scalf scarfolding. It also has on-line computer records of what equipment is available at what branch at any given time.

Today scarfolding and shuttering are the only ways to build many structures.

Form-Scalf has developed its hiring facility to encompass temporary sports stadiums and television towers. It has taken over its most successful rivals, GKN and SGB, consolidating its dominance in its markets.

Another place of inspiration by Mr Liebesman was to branch out abroad. He used comparative advantage offered by a cheap rand to build up a prosperous export business. Form-Scalf exports scarfolding and shuttering to many countries. It also owns foreign scarfolding companies.

### HUNGRY

"It's a lucrative business," says managing director Lee Koch, a civil engineering MBA who maintains the Liebesman tradition.

Mr Posnak and their partners in the operations are a hungry team with a startlingly different approach to business. They rationalise low-tech industries, establishing market dominance, maximising revenue and suppressing costs.

They appear hyper-efficient and provided the economy and industrial peace hold, they should pull off their ambitious plans. They may well be an example to a lot of sleepier, more established industrial holding companies.

After having been restrained from capex by former controller Heskell Khazam and later having been a dividend milk cow for Mamie Simshovitz, Gentyre is moving to upgrade its rather run-down plant and equipment.

### SUPERIOR

One of its strengths is that it has developed machine-building capacity in-house. It buys cast-off tyre-making machinery all over the world and rebuilds it at enormous savings.

"General Tyre of the US cut us off from its technology seven years ago, it was like losing one's parents as a teenager," says Mr Tutton.

"In tyres, technology is everything. After we were cut off, we could forget about machinery, anything from General Tyre and that is one reason we developed machine-building ability.

"Fortunately, we had been manufacturing Uniroyal, which was controlled by Continental of Germany. Continental signed a technical agreement with us and we have never looked back. It is a superior technology endorsed by Mercedes and BMW."

Confidential has been an ascendant tyre company in the past decade and today controls General Tyre of the US, Uniroyal and Semperit in Europe.

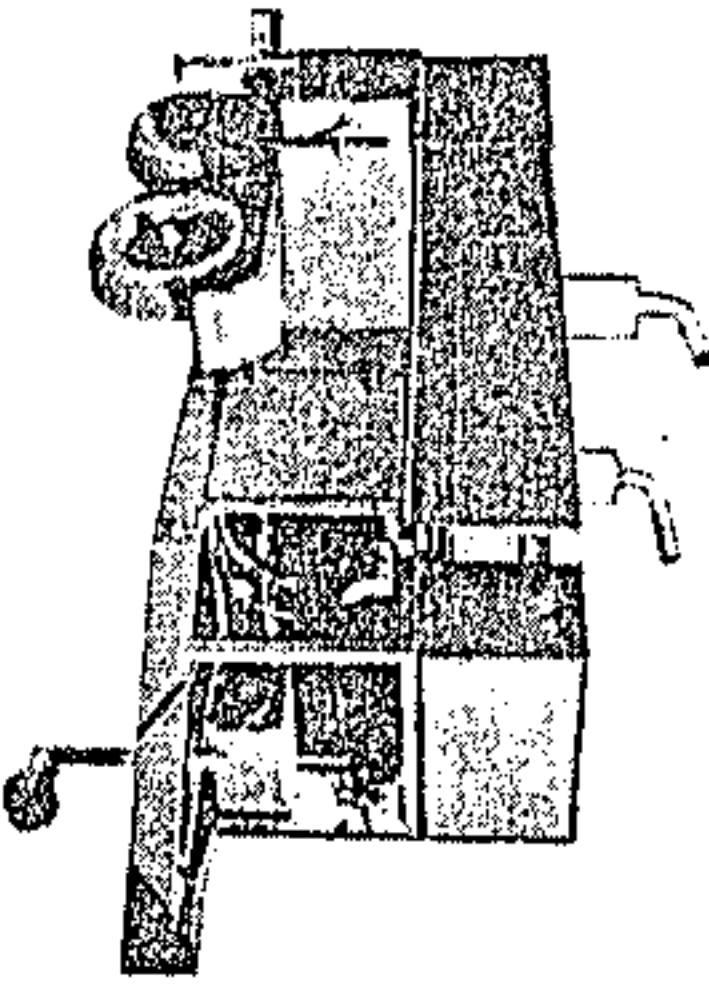
FSI might have pruned head office ruthlessly, but it has not been so short sighted as to cut back on research and development in Gentyre.

### BIG FOUR

Gentyre Port Elizabeth factory boss Clive Tutton says the market is fairly evenly split among the Big Four. Goodyear probably makes more tyres than the others, but Gentyre claims to achieve roughly the same profitability.

Gentyre says it is at an advantage to its rivals in these sensitive political times because it is indigenous. Unlike some, which are controlled by foreigners, it is not being milked by transfer pricing or dividend and investment in the plant is taking place.

Unlike its rivals, Gentyre can sell to anyone.



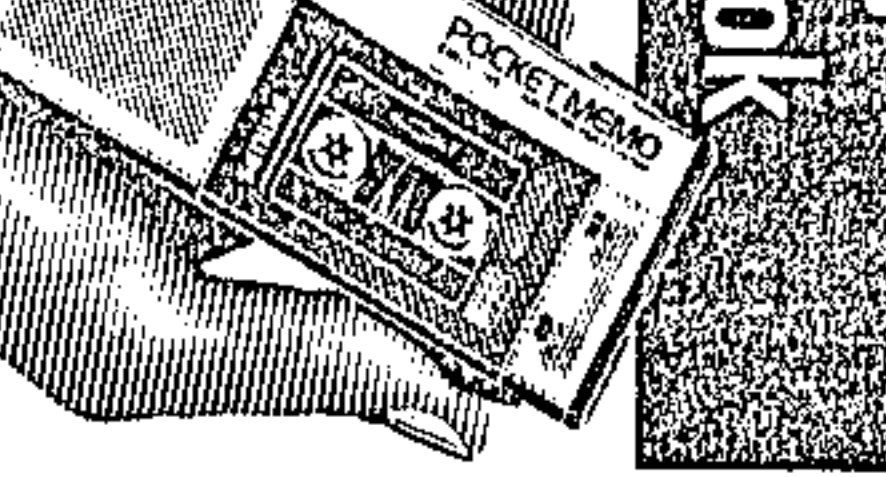
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## High life for a deep diver

TERRY Rolfe, group operations director of Jeff Liebesman's FSI group, is a big, fit, former Natal Dukkers rugby captain who enjoys scuba diving to dangerous depths. He is 46 years old, runs 6km a day and punts iron to keep in trim. He's an extrovert and a man's man, the proverbial tough cookie.

He made his first fortune by building up Universal Clips. This he sold to Nabholt before taking over as managing director.

A lusty man who enjoys the rewards of success, he revels in the hedonistic trappings, from a blue Mercedes to a Hollywood-style pad, a 3 000-sheep, 2 000ha Eastern Free State farm and soon, a stake in an executive jet. He is an inveterate globe trotter.

If he is an over-achiever, so are his children, two of whom were schooled at Eton and one of whom was an Oxford rugby Blue. The children, including two daughters, are accomplished scuba divers.

He is a Natal-trained chartered accountant, but never practised as an auditor. He considers himself an industrialist more than a number cruncher.

## All pumped up as Gentyre goes for more

GENTYRE is in the happy position of not being able to meet demand for its tyres.

The Port Elizabeth factory achieved a record recently when it produced more than 7 000 tyres in a day.

Like its major rivals, Goodyear, Firestone and Dunlop, Gentyre is benefiting from fuel prices that are still relatively cheap and the new mobility of blacks brought about by the minibus revolution. South Africans are travelling by road as never before and the tyre companies are loving it.

The man at Gentyre believe a megatrend has played into their hands, but an unseen threat is the national need to nurse the balance of payments.

An obvious way to save tens of millions in imports would be fuel price increases, speed controls or rationing of petrol.

Conservation measures were devastating for the tyre makers in the 1970s. The industry is otherwise reasonably recession proof. When demand for tyres as original equipment on new cars falls, replacement demand usually picks up.

Form-Scalf has developed its hiring facility to encompass temporary sports stadiums and television towers. It has taken over its most successful rivals, GKN and SGB, consolidating its dominance in its markets.

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ATTENTION



# BTR Dun earns more, pays more

By Ann Crotty

BTR Dunlop has reported a 21 percent increase in turnover to R240 million (R198,8 million) for the six months to June 1988 and a 31 percent increase in trading profit to R29,7 million (R22,6 million).

Attributable profit was up 31 percent to R14,8 million (R11,3 million), equivalent to earnings per share of 64,4c (49c).

A dividend of 37c has been declared, representing a 23 percent increase over the previous year's 30c.

This means that dividend cover has been increased marginally from 1,6 times to 1,7 times, but it still looks very tight, especially compared with a competitor such as Gentyre where dividend cover is 3 times.

The directors say the industrial rubber goods market did not improve "to the same extent as the economy because of delays in the bringing on stream major projects in the coal mining, ore beneficiation and electrical gen-

eration industries".

Operating margins were up from 11,36 percent to 12,4 percent. The interim figure represents a strong improvement on the 11,6 percent reported at the end of financial 1987 last December.

## Strong demand

Strong demand in the group's activities (other than industrial rubber goods) will have helped to lift prices and boost margins. Margins would also have benefited from tighter asset management.

The directors say the group traditionally does better in the second half of the year, but cautions that this "depends on the state of the economy".

BTR Dunlop is on an historic P/E rating of 8,5 times at its current market price of 910c.

If the 31 percent earnings performance can be sustained for the full year, the share is sitting on a prospective P/E rating of 6,5 times.

196  
Star

WMMU  
196 3/2-9/2/89

# Asia's rubber tappers are smiling again. And it's all thanks to AIDS

*The more the fear of AIDS spreads through the West, the more the once flagging economies of rubber-rich Eastern countries boom.*

**MICHAEL KROLL reports**

ONE man's pestilence is another man's prosperity. In the wake of Aids, the international rubber industry is soaring after more than a decade at near-depression levels.

Behind the surge is an unprecedented demand for rubber gloves created by the Aids scare.

Each day in the United States new categories of workers decide that wearing rubber gloves is now indispensable for their occupations: dentists and their helpers, emergency medical teams, food handlers, tattoo parlour operators, hairdressers, toll takers and more.

On the other side of the world, the results of that demand are already visible in the world's major rubber producing countries, Malaysia, Thailand and Indonesia.

In the rubber-rich Tawau district of North Borneo, half-finished housing developments, near-vacant office buildings and modern roads ending abruptly at the jungle's outskirts testify to a once-booming economy brought to a sudden halt by the collapse of rubber prices in the early 1970s. The culprits were the advent of synthetics and radial steel tyres.

But today one hears a strident new optimism about the future. "You're going to see all these projects resumed this year," a smiling construction engineer says. "It's the end of the burst. Rubber is king again."

"Rubber prices are undergoing their most dramatic changes since the Korean war," says Joe Cornell, commodities expert for Southeast Asia's largest non-banking company, Sime-Darbe of Malaysia, the world's largest rubber exporter. The price of raw liquid latex shifted from about \$1 a kilogramme just two years ago to triple that last year, finally settling just below \$2 a kilogramme today.

One bit player in the price rise has been a growth in demand for latex rubber condoms. Since 1986, when the US surgeon general first addressed the burgeoning Aids epidemic head-on by advising that "the best protection against infection right now, barring abstinence, is use of a condom," Americans have doubled their use of condoms. Even then, only 13 percent of the population reports regularly using condoms.

The real spurt in rubber demand comes from another source — latex rubber gloves. Following the first wave of public hysteria over Aids, the demand for rubber gloves in the US was unprecedented. In 1985, for example, when New York City schools learned they were to get their first acknowledged Aids admission, the school board ordered 50 000 pairs of rubber gloves in response to union demands.

While nobody seems to know in which closet those gloves languish today (no new gloves have been ordered), the board's response was typical. The number of occupations now regularly requiring the use of gloves is growing steadily.

Though dentists have known for a long time that they are at great risk from the hepatitis B virus, it is the fear of the Aids virus that has prompted widespread glove use. According to surveys by the American Dental Association, in 1986 only 23 percent of dentists always wore gloves, and 16 percent never wore them. By 1988, just under 80 percent always wore them and only 2.5 percent never did.

The dramatic increase in the demand for gloves caught the rubber industry off guard. Six months ago, there was a serious shortage of surgical gloves causing delays of up to three months in filling orders.

The resulting surge in rubber prices has lured entrepreneurs into the rubber glove manufacturing business.

Gloves that cost \$42 to \$44 a thousand to make sell for \$70 a thousand, prompting new companies to spring up in Thailand, Taiwan, China and elsewhere.

Nobody foresees an end to the demand for latex. The world glove demand, now estimated to be a trillion pieces a year, is primarily a US phenomenon. Other parts of the world, especially Europe, are expected to follow suit. — Pacific News Service

PHOENIX Rubber struggled to maintain bottom-line profitability as interim earnings grew by a disappointing 5% to 4,3c (4,1c), while the dividend was unchanged at 1,5c.

# Phoenix Rubber's results disappoint

sf pay 6/2/89

STEPHEN RICHTER

196

Turnover increased by 35% during the period to R9,6m (R7,1m), which should have resulted in reasonable growth for the bottom line.

But margins came under pressure and pre-interest income declined by 4% to R917 000 (R953 000).

Phoenix received net interest of R31 000 in the latest interim period compared with R19 000 net interest paid for the previous first half. This helped boost pre-tax income by 1,5% to R948 000 (R934 000). With taxation falling by 2,8% to R489 000 (R503 000), after-tax income rose by 6,5% to R459 000 (R431 000).

The number of Phoenix shares in issue increased slightly to 10,7-million from 10,4-million after the bonus issue in October last year.

## Recoup?

The directors say that during the interim period, the group's order intake increased dramatically. They say this was unforeseen by management, which resulted in lower margins.

They add "to serve the immediate needs of our existing customers, a policy of shortening

production runs was instituted with temporary detrimental effects to profitability".

Going into the second half of the year, Phoenix has a record order book which management claims will allow the group to recoup lost margins.

But if Phoenix had difficulty handling this situation in the first half, shareholders must be wondering if they can produce adequate results for the remainder of the financial year.

This performance should do little to spark interest in the share, which has been trading in a narrow range between 55c and 75c during the past 12 months.

The share remains above net asset value, which rose marginally to 39,6c (37,1c).



## COMPANIES

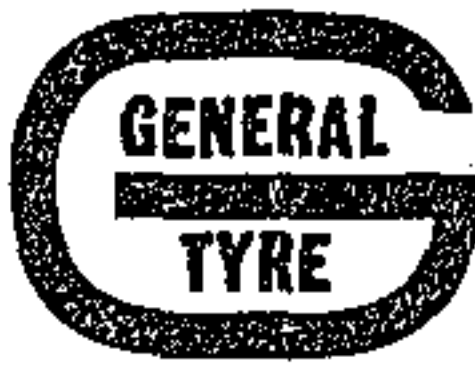
# Gentyre rolls to 41% increase in earnings

31 Dec 1989

196

GENTYRE Industries boosted earnings by 41% to a record 200c a share in the year to December (1987: 142c a share).

The final dividend has been raised to 43c (30c), lifting total distribution by 40% to 67c (48c).



Chairman Terry Rolfe said: "Given stable operating conditions, the directors expect organic growth during 1989 to yield earnings growth a share in excess of the rate of inflation."

Turnover of the tyres and industrial rubber products company in the FSI stable rose by 17% to R388,5m (R330,7m).

Rolfe said volume increases were limited by factory capacity.

In effect, Gentyre could not fully meet strong local and export demand for its tyres.

However, the company performed

### LIZ ROUSE

better in the second half after a satisfactory 23% rise in earnings in the first half of the year. Production efficiencies and a reduction in overheads (the Johannesburg head office was closed and headquarters moved to Port Elizabeth) led to an increase in operating margins to 14% from 12%.

Operating profit rose 41% to R56,2m (R39,9m) and attributable profit was up by the same percentage to R31,08m (R22,01m).

In addition, Gentyre earned an extraordinary profit of R3,58m (R3,12m) — the profit on the sale of the properties less the cost of re-organisation.

The good results are attributable to a revamp at Gentyre which comprised rationalisation at corporate and operating level; developing both divisions organically and through

carefully targeted acquisitions; and applying FSI philosophy of releasing funds tied up in property and deploying them in the purchase of high-yielding productive machinery and equipment, in stock and in debtors.

No acquisitions have yet been negotiated for the now cash-flush company.

### Lease

The factory and branch properties were sold to a financial institution, which left Gentyre with net cash holdings of R23m at the year-end. Gentyre has the right to acquire the properties on a pre-determined basis after 10 years or extend its lease for a further 10 years.

Gentyre's balance sheet is healthy. Its current ratio improved to 2,9:1 from 2:1.

Net asset value rose to 1 075c from 919c a share. The shares are trading at around R11,50.

# Higher profits for

# Quality

196  
12/5/87  
Financial Staff

QUALITY Tyres lifted after-tax profit by 113% to R6,1m in the 12 months to February on a 14% rise in turnover to R119,4m.

Earnings rose by 33% to 25,9c (19,5c) a share and there will be a maiden interim dividend of 3c a share. This follows a special dividend of 4c a share declared when the results of the first six months' trading were announced in August.

The results announced today are not year-end results because the group has changed its financial year-end from February to August, creating an 18-month reporting period.

Executive chairman Alex Hawes said increased demand for retreads and the acquisition of Thomas Bande and Supertreads were the main reasons for the R69,9m rise in turnover.

He said the group's operating margin had increased to 10,8% (9,4%), helping to compensate for a rise in the tax bill to R5,6m (R1,5m).



196 Bussell 30/6/89

# Japanese promise bumpy ride

The pneumatic tyre has come a long way since its Scots inventor, Robert William Thomson, first defined his device "for the purpose of lessening the power required to draw the carriages, rendering their motion easier and diminishing the noise they make when in motion."

That was in 1845. Today, the tyre forms the basis of a global industry with a turnover estimated at some US\$45bn, the vast majority of which is dedicated to car and truck producers.

It is an industry which, particularly in the past two decades, has been drawn increasingly into high technology, involving both the product and its means of production. Whereas once the vehicle makers produced their car or truck, and were largely content to choose a tyre supplier on the basis of the best financial deal that could be struck, the leading tyre makers now work extremely closely with the vehicle producers from the early design stages of a car or light commercial vehicle.

That they do so is a function of several factors. Computer-aided design has allowed vehicle makers to come up with more sophisticated suspension systems to improve ride and handling characteristics. With each improvement, drivers' expectations have risen.

Since the advent of the low-profile, high-performance radial tyre of the early Seventies, it has been recognised that by altering a tyre's width, profile, aspect ratio and casing and tread materials, huge variations in performance and other characteristics are possible.

A luxury car maker, for example, will have maximum noise suppression as a high priority while retaining the best handling characteristics possible.

The maker of a 320 km/h "supercar" will require very different characteristics: a strong casing to withstand the high rotational speeds involved; a short, stiff sidewall to maximise directional stability; a huge "foot-print" for the best road-holding and handling; and will give lower priority to factors like noise and even wear rates.

Another set of priorities will come to the fore in producing economy hatchbacks and where low-rolling resistance to improve fuel consumption will be important.

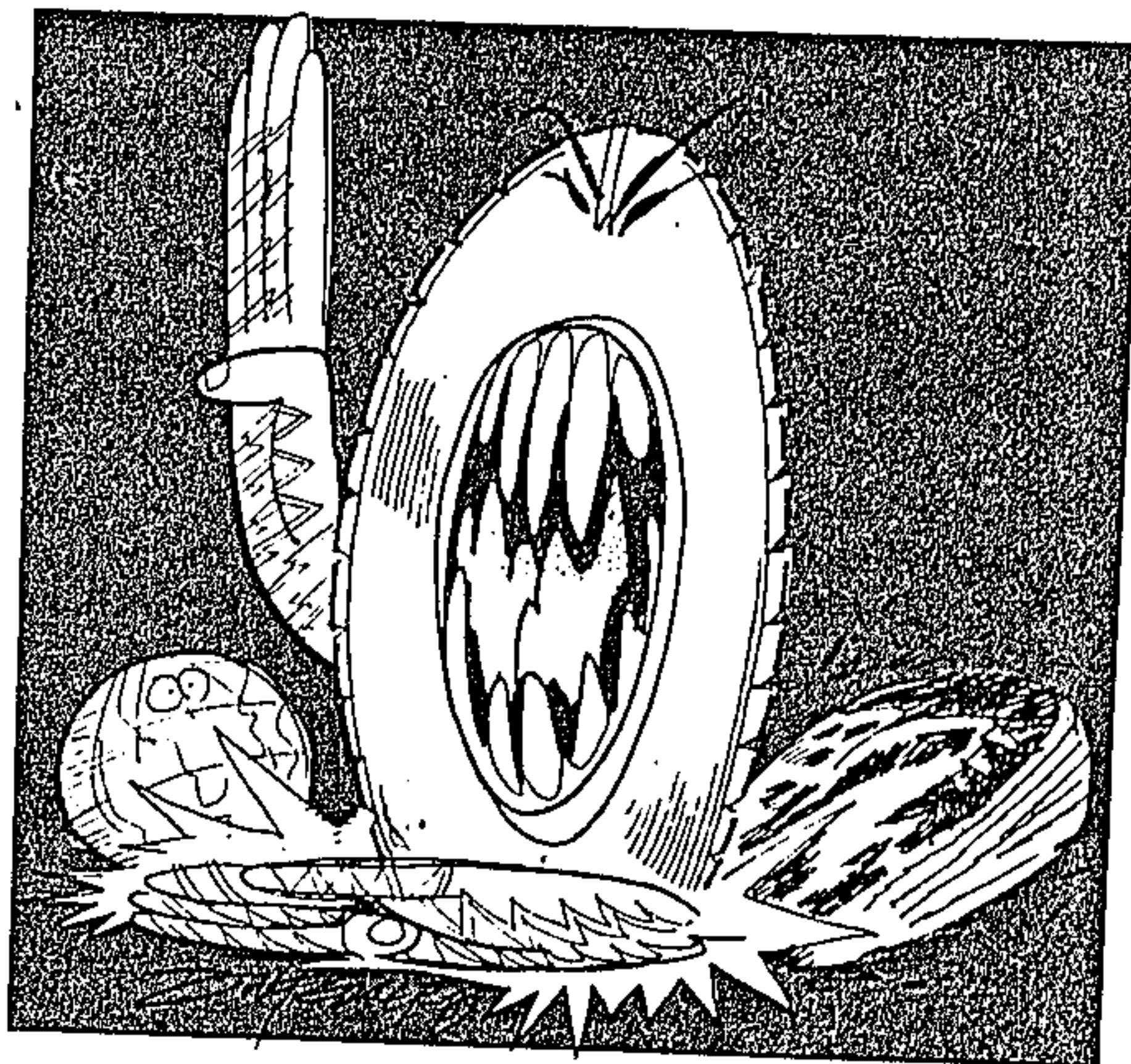
These technological requirements have produced a rationalisation among tyre makers. Those lacking the skills or financial resources to invest in adequate research and development find themselves confined to less valuable, low-margin "commodity" tyre business, or even squeezed out of the sector

altogether.

More important factors have been at work in bringing about a concentration of the global tyre industry to the extent that some 85% of world output is in the hands of six leading producers. That compares with 13 companies sharing 80% five years ago and dozens of companies serving local markets for much of the post-war period.

First came the radial tyre to supplant the traditional crossply. Grateful customers were delighted with tyres offering double the mileage. As the radial revolution spread, tyre makers contemplated the excess capacity they had so virtuously created and the commercial holes they had shot in their feet.

European tyre makers were contemplating



over-capacity of at least 25% by the time the second oil crisis sent vehicle markets plunging again and in spite of a string of rationalisations in the Seventies.

Eliminating the over-capacity cost tens of thousands of jobs, large plant closures and the disappearance of many small producers, usually into the hands of surviving majors.

The spectacular recovery in world vehicle markets of the past three to four years has transformed the financial situation of Western survivors. Most are making healthy profits and once again adding capacity. Profits are needed because a new and vicious twist in the competitive spiral is getting under way.

In part it takes the form of an open declaration from Bridgestone, Japan's largest tyre maker, that it intends to wrest world leadership of the industry from Western producers.

Goodyear Tire and Rubber of the US and Group Michelin of France are both claimants to the title. Goodyear has a larger turnover than Michelin, well in excess of \$10bn compared with Michelin's \$8bn. But about \$2bn of Goodyear's turnover comes from non-tyre activities.

Bridgestone, whose tyre technology lagged far behind that of its Western counterparts as recently as the early Eighties, shook the industry last year when it outbid Gruppo Pirelli, the Italian tyres and cables concern, for Firestone Tire and Rubber of the US, for which Bridgestone paid \$2,6bn.

The deal gave Bridgestone an immediate combined turnover of \$6,5bn, shooting it to third in the world rankings, ahead of Continental of West Germany (which had just purchased General Tire, another US producer). Bridgestone is well advanced with a \$1,5bn investment programme for significant capacity expansions in North America and Europe.

However, Bridgestone's own capacity expansions represent only one-fifth of the industry's current total, and there is a lurking background worry that world vehicle markets might have come off the boil — there are tentative signs of a slow-down in Western Europe — by the time it all comes on stream.

This could once again put pressure on margins, which in the West have been rebuilt with much help from a widespread market shift to premium, high performance tyres.

This sector, pioneered by Pirelli in the early Seventies, has produced that novel situation for the tyre industry — a product where sales success depends more on the tyre's perceived performance and technical merits than on its price.

Even if the total market does decline, most leading tyre makers are in better underlying shape to deal with it than for many years.

The industry worldwide still employs more than 500 000 people, but they are survivors of a massive job-shedding which has gone hand-in-hand with tighter managerial disciplines and heavy investments in automated, flexible manufacturing.

If a market downturn does come, most expect it to show up as a brief blip against a background of long-term growth right through to the end of the century.

Robert Mercer, Goodyear's chairman, sees compound annual growth of about 3% up to the mid-Nineties. Ludovico Grandi, Pirelli's GM of tyre operations worldwide, forecasts a more conservative 1%.

Both say anyone wishing to remain a leading player in the tyre industry must develop a fully global presence just as the vehicle industry itself is globalising. Neither expects the few dozen small companies still clinging to national market bases to survive for long without specialising in small niches that don't interest the large companies.



## Cosatu talks

the Labour Relations Amendment Act". Cosatu, Nactu and a number of independent unions will meet major employer groups and government officials at the end of this week for a top-level summit aimed at negotiating revisions to the Act.

If these talks fail the labour movement plans to mobilise for a national strike and will hold a workers' summit in August as a build-up to this possibility. Delegates from Nactu and the independent unions have been invited to the congress and will use the meeting as a forum to co-ordinate their plans to fight the labour law.

The UDF/Cosatu peace initiative in Natal will come under scrutiny at the congress.

"We will examine the role of the state in the violence and the need for an independent commission of enquiry into the police in Natal," said Naidoo.

Other crucial items will be the need to build unity between the country's main trade union groupings; the need for the creation of a broad anti-apartheid coalition; solidarity with Swapo and the National Union of Namibian Workers during the run-up to independence elections; and a review of the federation's stance on sanctions and disinvestment.

## One fast begins as another ends

ANOTHER Emergency detainee has launched a hunger strike — a week after six hunger strikers were released from detention.

Yesterday Daveyton Students' Congress member Aubrey Nxumalo, 23, started refusing food in protest against his detention under the Emergency regulations.

Last Thursday six Soweto students — Paul Chauke, Solly Dolamo, Norman Makhabuki, Blessing Ndlovu, Joel Letlape and Morgan Raboshage — were all released without restrictions after a protest fast in Bloemfontein's Grootvlei Prison.

Nxumalo, a part-time student, was detained for the second time on May 25 this year. He was detained under the Emergency regulations for two years between 1986 and 1988.

Asked for comment, the prisons department referred the *Weekly Mail* to the police. A police representative in Pretoria said in terms of the Emergency regulations he could not comment.

## Workers strike over 'corporate camouflage'

Weekly Mail Reporter

A ONE-WEEK strike by some 1 200 workers at the Goodyear tyre plant in Port Elizabeth is the latest in a series of protests by workers at the way in which foreign companies are selling off their subsidiaries in South Africa.

Last month Goodyear told workers at the plant that the sell-out to a local company, Consol, a member of the Anglo Vaal group, involved a mere change in share ownership.

The National Union of Metalworkers of South Africa disagrees.

"As far as we understand it, the disinvestment, like that of many other disinvesting companies, is corporate camouflage," Numsa organiser Gavin Hartford told the *Weekly Mail*.

"Licencing arrangements, most other agreements and the supply of rubber, it seems, will come from the parent company in the United States."

The workers want separation pay of at least R5 000 for each worker, guaranteed conditions of employment, maintenance of existing labour agreements, pay-out of pension benefits and the writing off of housing loans before the sale goes through.

The National Union of Metalworkers of South Africa held two sets of talks with management over the dispute. After both deadlocked and the industrial council failed to resolve the conflict, a ballot was held which voted in favour of downing tools.

A company official this week told reporters: "There will be no concessions because we consider there has been no change in the position of employees because of disinvestment."

Workers are also calling on Goodyear to set up a trust fund for community projects and want a meeting with Goodyear in the US.

The Numsa demands are much the same as those pursued by the Chemical Workers' Industrial Union, whose members went on strike to protest at the terms of the recent Mobil disinvestment.

Both strikes reflect widespread discontent at the way in which disinvestment has taken place in South Africa. Unions argue that the sell-outs strengthen local capital, which can acquire plants at bargain prices and use the opportunity to retrench workers and alter their terms of employment. Foreign firms often continue to benefit by licencing arrangements that ensure they continue to profit from an involvement in South Africa.

196  
wmail 7-13/7/89

NUMSA TRY TO  
close the gap

OWN CORRESPONDENT

JOHANNESBURG. —  
The National Union of  
Metalworkers of SA  
(Numsa) have submitted  
a revised proposals to  
Goodyear management  
in Port Elizabeth in an  
attempt to resolve the  
disinvestment dispute,  
Numsa organiser Gavin  
Hartford said yesterday.

But he did not disclose  
details of the proposals  
which, he said, were  
given to management at  
a meeting yesterday.

Numsa is due to re-  
spond to car manufactur-  
er's revised pay offer  
when industry-wide ne-  
gotiations resume in  
Port Elizabeth today.

due to their campaign...  
sanctions against South Africa?"  
Mr G Godfrey, Gardens: "This summer we wish  
to peace walk our dogs unleashed on our beach-

# Goodyear workers get cash bonanza

CME Times  
15/9/87

196

## Own Correspondent

JOHANNESBURG. — Goodyear employees have won a cash bonanza which could average R6 000 each, and the company has also agreed to write off, over five years, housing loans to employees worth R3 000 to R5 000.

The deal arises from the settlement, announced yesterday, of the 11-week-old strike by 1 200 Numsa members over the terms of disinvestment of Goodyear's former US parent.

It also includes guarantees on employment conditions, jobs and union contracts, and effectively nullifies the dismissals during the strike.

The agreement provides that employees should return to work by Monday, although a number began streaming back to the Uitenhage factory yesterday.

According to Numsa, the cash payments are to be paid out through the company pension fund.

Each employee is to receive a one-off R1 000 payment as "compensation". Goodyear said it was to pay this money into the fund.

In addition, employees will be entitled to withdraw double their own contributions plus interest back to the date of their last entry into the fund. Numsa national organiser Mr Gavin Hartford said this would average R4 500 to R5 500 per person.

● Goodyear disinvestment was thinly disguised "corporate camouflage", Numsa said yesterday.

Lambasting the company and other large corporations, the union said in a statement that multinationals disinvesting from SA had tried to portray themselves as allies of the anti-apartheid struggle.

Numsa's experience with Goodyear had, however, revealed that this was not true.



# Plastics firm's shares could be a good buy

B/DCM 28/11/89

1916

**ANALYSIS: STEPHEN RICHTER**

JUDGING by its fine track record, Darmag, which is listed in the JSE electronics sector, should be generating buying interest among investors. But the group has been surprisingly out of favour, and dropped to a new low last week of 65c.

Darmag specialises in the manufacture of rubber and plastic products for a wide range of industrial applications. The group proudly displays its six-year track record in the latest annual report covering the 12-month period to end-February 1989.

Turnover has risen to R23.8m in the latest year compared with only R2.6m during 1984. Pre-tax profit advanced strongly during this period to R3.4m from R528 000.

Earnings a share began to accelerate quite sharply during the past three years. In 1987, EPS rose to 7.6c compared to 1.8c the previous year. Darmag then continued to show satisfactory growth with earnings of 11.0c during 1988 and 13.2c for the latest financial year.

Therefore, given the

group's impressive bottom line performance, one would expect a better JSE performance than shown on the accompanying chart. This is especially so given Darmag's fine reception by investors when it originally came to the market in August 1987, just prior to the October crash.

At that time, the group made available 3.5-million shares, of which 2.7-million were offered to the public at 100c. The share price found good support at the 140c level from the time it was listed until the October crash. For most of 1988, the share traded around the original 100c offer price, but bearish sentiment has again dominated Darmag's price action recently, resulting in last week's record low. The fact that Darmag failed to hold above its 200 day moving average confirms the bearish trend.

The JSE listings department confirms that Darmag has not yet reported its interim results covering the six months ended August 1989. This could help explain why

investors have suddenly become nervous of the share.

But a company spokesman says that these results have been finalised, and Darmag should release its interim figures this week.

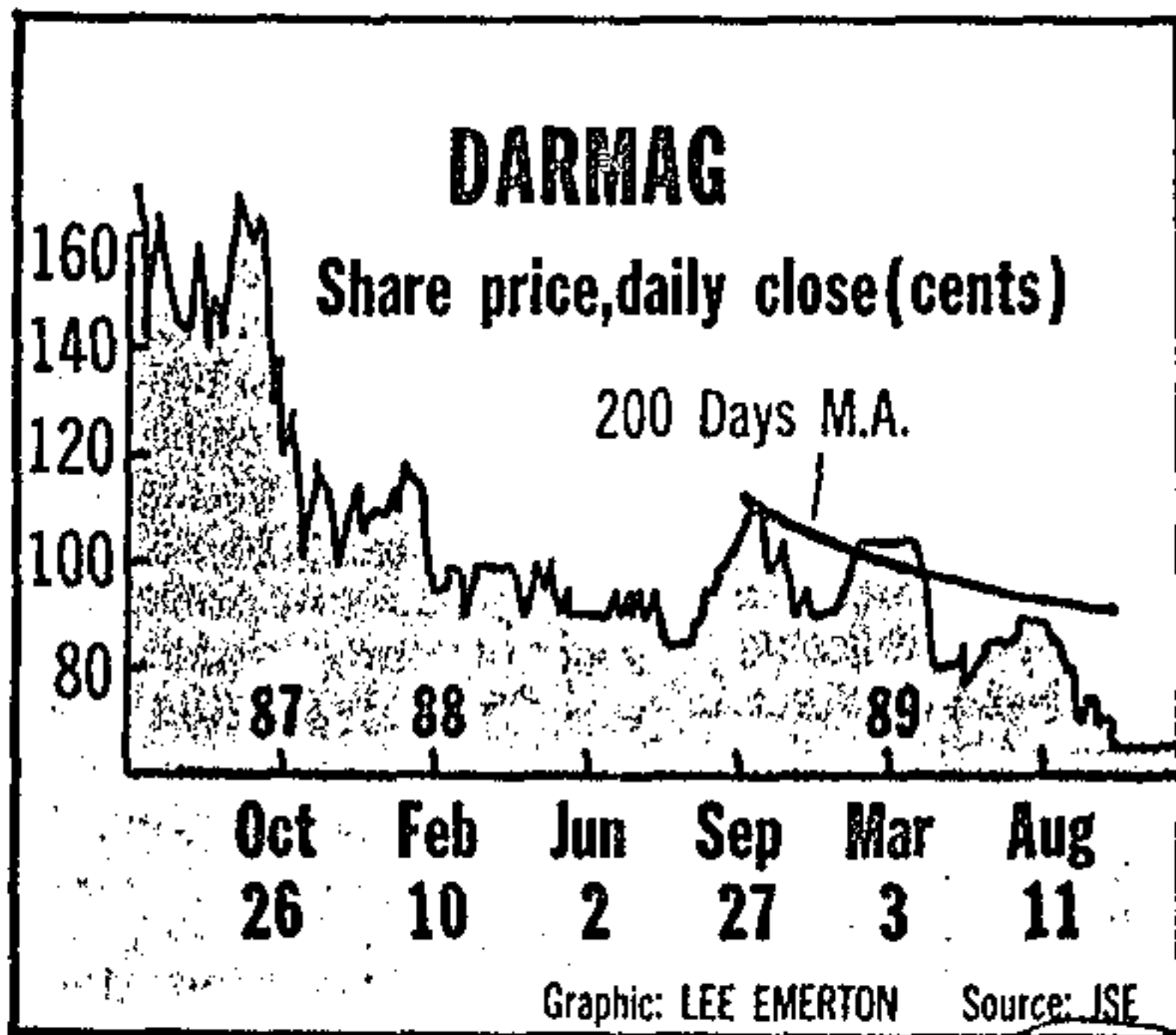
Darmag's basic operations appear to offer good growth potential. Capacity within its plastics division improved by more than 30% during financial 1989. This places Darmag in a good position to capitalise on the swing away from rubber to plastic products in the battery industry.

The group's plastics division was relocated last year to modern facilities in Fort Jackson, Ciskei. Despite the costs incurred in the move,

this was offset by the improvements in productivity and product quality. In addition, the move helped to reduce Darmag's tax rate.

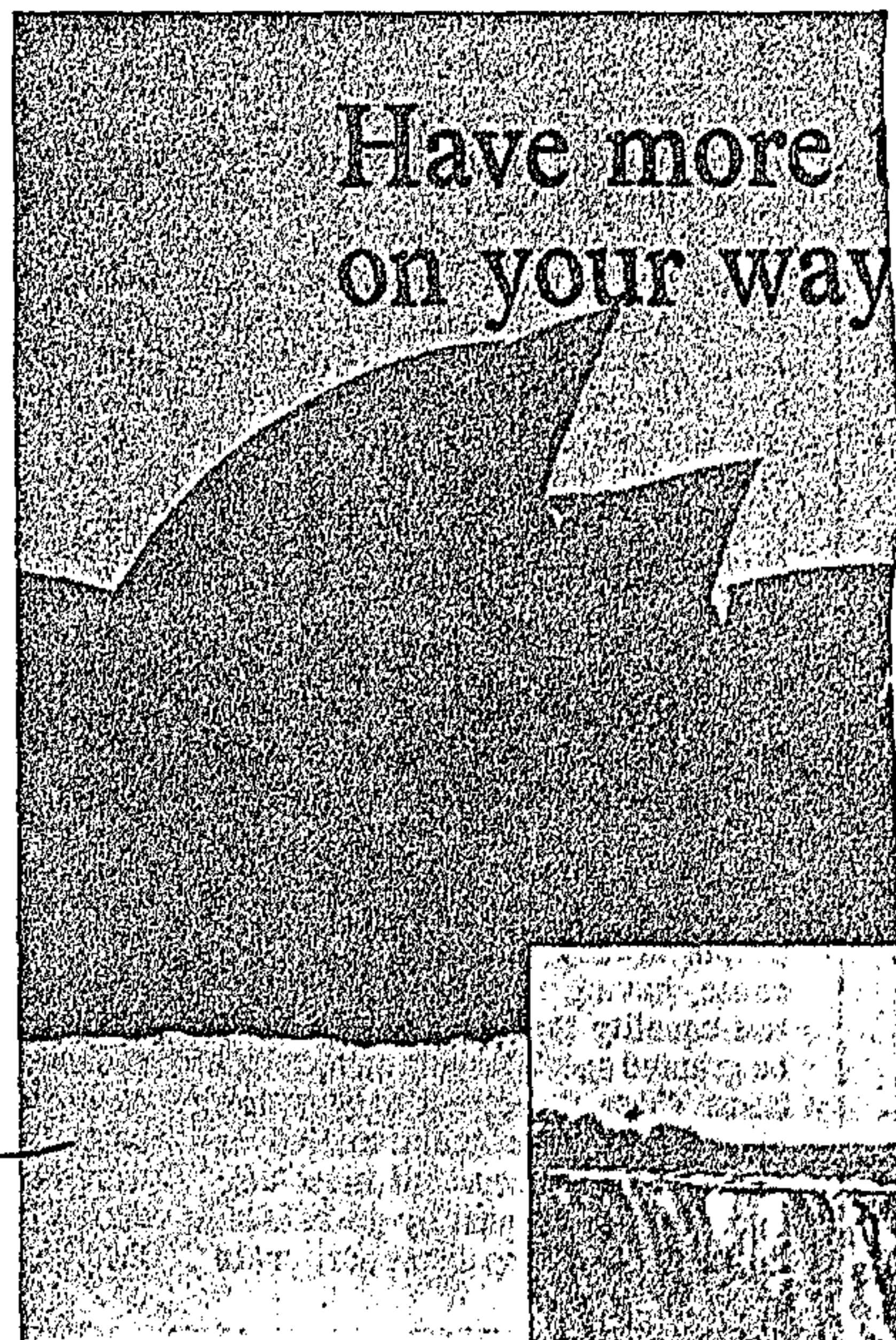
Although Darmag may be affected by the current economic slowdown, it should show a satisfactory performance judging by the six-year track record. But this is difficult to assess until the interim results become public knowledge.

However, with Darmag being involved in the mining industry, this should help the group in the future, given the improved outlook for the gold price. Assuming Darmag had a reasonable interim period, the recent spate of selling may be presenting investors with a buying opportunity.



## New Morgan Grenfell offer

LONDON — West Germany's Deutsche Bank AG has made a £950m agreed cash bid for UK merchant bank Morgan Grenfell Plc, a move that could derail a hostile





# Unusual trading conditions depress Darmag

DARMAg has produced a disappointing 28% drop in earnings during the six months to August because of unusually depressed trading conditions in the battery industry and escalating costs of imports.

The rubber and plastics products producer for battery manufacturers showed earnings of 5.2c (7.2c) a share. Attributable profits were R1.2m (R1.6m) on a 6% rise in turnover to R13.4m (R12.7m).

No interim dividend has been declared in order to conserve the cash situation.



ZILLA EFRAI

Directors say competition, in the face of a diminishing market, seriously affected trading margins. In spite of quality and technical improvements, Darmag had to price its goods below budgeted levels.

Pre-taxed profits were down 68% to R774 000 (R2.4m), but a tax credit of R377 000 led to taxed profits of R1.2m.

Rapid technological changes in the

markets served are challenging the business's ability to adapt.

Some significant milestones, such as the SABS 0157 quality assurance award and installation of a full Just-In-Time system have helped, but a wider range of products is needed to balance the resources of this business, say directors.

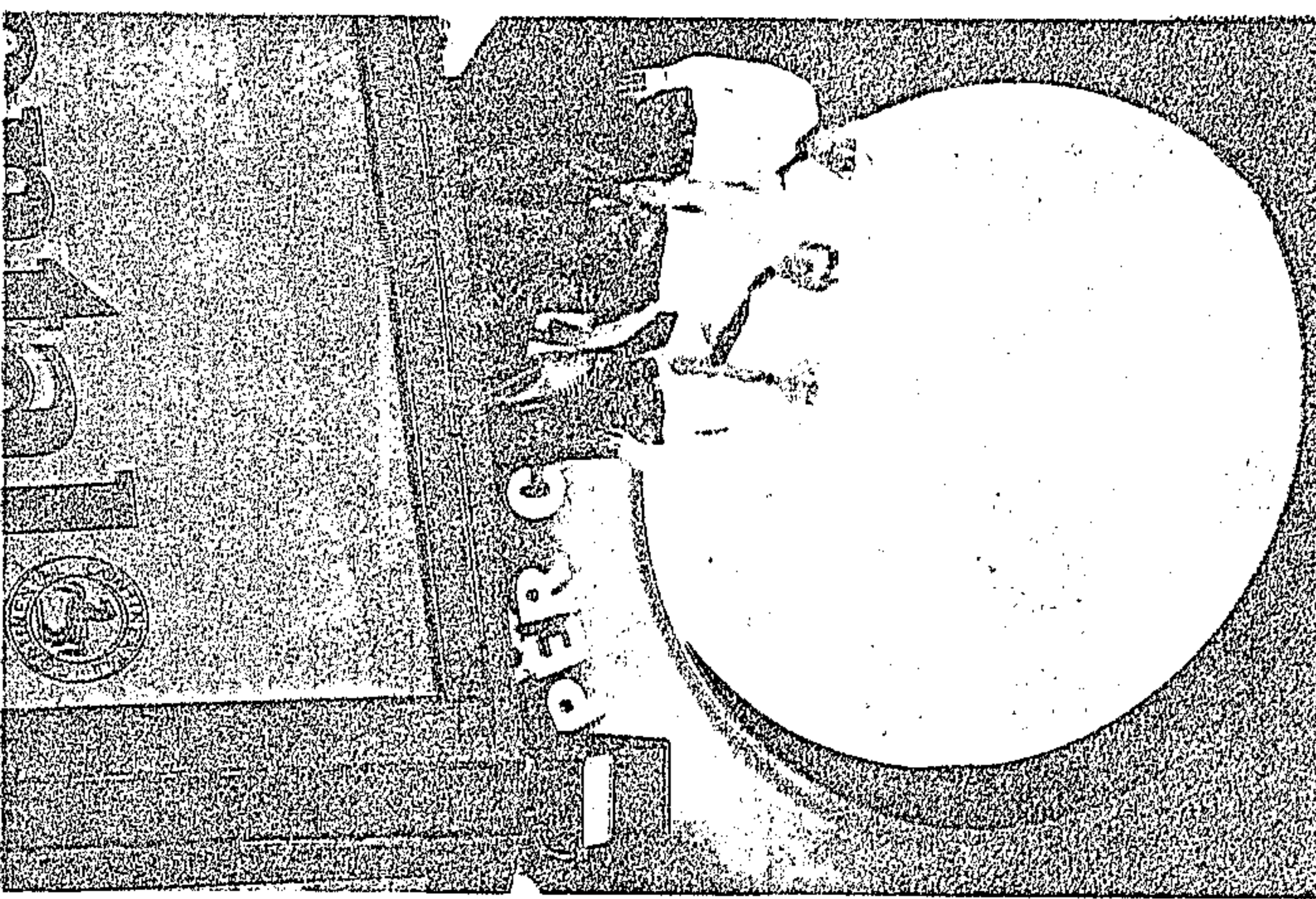
Because technical problems delayed the introduction of newly developed products, the rubber division did not recover from product obsolescence as expected.

Directors say difficult trading conditions are envisaged for the rest of the financial year. As a result, earnings of about R1.7m are forecast for the 13 months to March, compared with R3.6m earned in the year to February 1989.

Directors are confident the core business is sound and will improve as the trough of recent economic adjustments pass. They are currently improving manufacturing efficiencies and profit margins, and are reducing fixed overheads.



Continental



ROLLING ON... the management team from Gentyre atop the very visual Continental Tyre signage west of the M1 in Johannesburg. From the left: Chairman Terry Rolfe; managing director of the Industrial division, Vic Pretorius; and managing director of the tyre division, Clive Tutton.

# Big dealers, top wheelers!

S/Times  
3/12/89  
196

GENERAL TYRES' R30-million expansion at its Port Elizabeth factory will increase production capacity by 40% when it is completed by the middle of next year.

This should keep the Gentyre Industries group on track for an excellent 1990, to cap what is expected to be firm growth in the current financial year.

In the six months to June, turnover rose to R213.8-million, compared with R388.5-million in the year to December 1988, attributable profits were R15.7-million, against R31.1-million, and earnings were 10c a share, compared with 75c. The interim dividend was lifted to 52c from 24c in the first half of last year.

At the interim stage, the directors' forecast growth at a rate above inflation for the full year, but with current demand for all the group's products, especially tyres, it can be expected that results will far outstrip the inflation rate of about 15%.

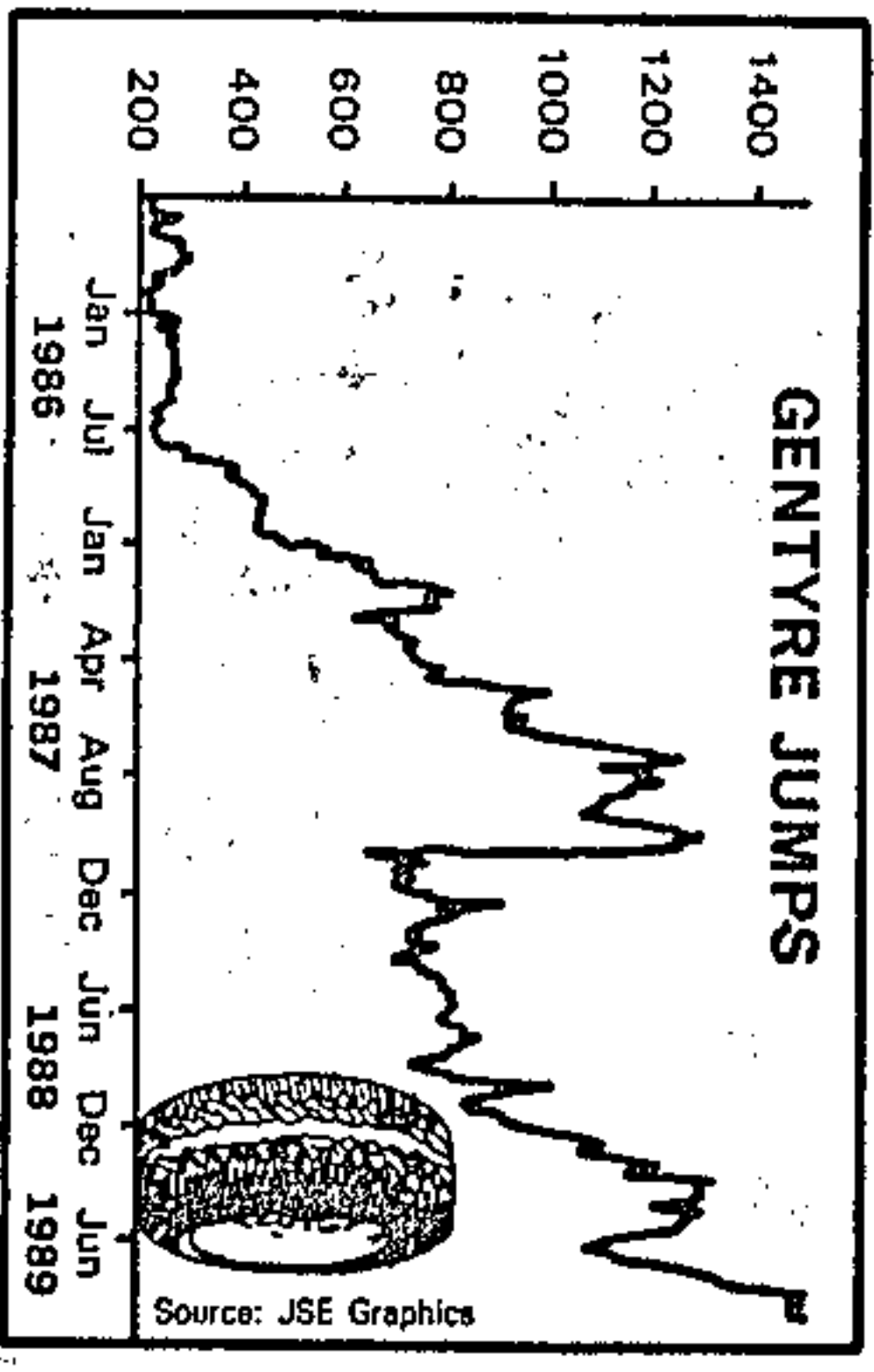
Helping this will be the current process of refurbishing old plant and rebuilding used plant which has been imported. This is well under way and has saved the group considerable foreign exchange savings.

Analysts believe that, with the demand for tyres bound to continue increasing, Gentyre Industries could post a rise in attributable profits and earnings of about 30% to about R40-million and 26c respectively for the year.

Gentyre Industries' rise to tenth position in the Top 100 list has been quite spectacular. Taxed profits have risen from R10.8-million in 1984 to R31.1-million last year, earnings from 43c, adjusted for the sub-division in 1985-4, to 200c and dividends from 10c to 67c, also adjusted.

The tax burden is also likely to be reduced this year. At the same time, the group has remained extremely liquid and has over the years reduced its borrowings. At the end of last year, the group had R222.2-million in the bank and it is expected that this cash surplus could be very much higher when the preliminary report is published in March.

However, chairman Terry Rolfe says that although the group has increased its cash



**No 10 1984: R10 000  
1989: R77 211**

By Don Robertson

pile and would consider acquisitions if they arose, he will probably wait for the market to settle down. In the meantime, the company will consolidate its position in the market.

During the past five years, the price of the share has risen from 220c to about 1 500c. The expansion will add 13 800sqm to the plant and will facilitate a new layout. This will allow the successful Continental tyre division to be repositioned and will result in improved production flows and better efficiencies.

The tyre division, ably managed by Clive Tutton for many years, has a 22% share of the market. It is set to increase market share when the new plant is operational. A new curing plant has been installed to meet the critical shortage of tractor and mining tyres.

**Gentyre on track for yet another bumper year...**

"The FSI style is good for us and we are very comfortable with them. We appreciate their support, which comes without interference," says Mr Tutton.

Mr Rolfe explains that all top management concerns itself with on a joint basis is planning, insurance, cash and pension funds. "Otherwise, it is the responsibility of the individual."

Although the company is flush with cash, capital expenditure will be kept within the bounds of cash flow.

## Seeking solutions to skills shortage

S/Times 3/12/89

SOUTH AFRICA'S shortage of skills has existed for some time now, but as each year passes it becomes more desperate.

Businessmen, Government spokesmen and politicians across the board have identified it as one of the most pressing problems facing South Africa at this time. Such a statement may appear a little excessive in times when sanctions are looming larger than ever and inflation is eating into the pockets of millions of South Africans. However, a lack of high

By Robyn Chalmers

**But it's not all**



Slav 6/12/89

196

# Irregularities at Quality revealed

By Sven Lünsche

Following the discovery of major irregularities at Quality Tyres, majority shareholder Malbak has mounted a rescue operation to salvage the company and soften the impact on its creditors.

In terms of the deal, Malbak would lift its shareholding in Quality from 41 to 75 per cent and offer the group's bankers and major creditors, mainly tyre companies, to convert half of their combined debt of R78 million.

Malbak in turn would waive its damages claim of some R15 million against Quality and would not rescind the original 1988 merger deal.

A number of major creditors, including Standard Bank, have already indicated their acceptance of the proposal.

All small creditors will be paid in full, Malbak added.

The irregularities relate to borrowings, which were unauthorised by Malbak, and raised Quality's debt from the R15 million shown in the accounts for the year to end-August 1989 to R50 million.

If the rescue package is acceptable to creditors and

bankers, Malbak would undertake to manage the company.

Announcing the package, Malbak executive director Tom Chalmers said the alternative was for Malbak to withdraw its assets from Quality Tyres, as the accounts on which the original merger between Quality and Malbak Motors Holdings' tyre division was based were materially incorrect, and for Quality to be liquidated.

In that case, it was estimated that creditors would receive only 28c in the rand after two years.

"When the first indication of irregularities came to light during the 1989 audit, the Quality Tyres board immediately initiated the suspension of the Quality listing and started a full-scale investigation, which is still underway."

Ed Phillip, the financial director, has left the company and the Quality board has appointed Ray Joiner from Malbak in his place. If the Malbak offer is accepted, Mr Chalmers, who is the chairman of Malbak Motor Holdings, will assume responsibility for Quality Tyres.

You'd be crackers

# Quality Tyres punctured

By Ann Crotty

It looks as though Quality Tyres is set for liquidation. *Star 7/12/89*

Last night Malbak announced that its bid to save Quality, in which it has a 40,7 percent holding, had failed because some major creditors were unwilling to accept the rescue package.

Quality was threatened with insolvency as a result of irregularities which had the effect of increasing its debt from the R15 million shown in the management accounts for the year to end-August 1989 to R50 million.

The rescue package involved capitalising the debt and increasing Malbak's stake in Quality to 75 percent. It required the agreement of Quality's bankers and its major creditors to the conversion (to equity) of half of the unsecured amount of R78 million owing to them.

The package would have meant the major creditors would be repaid half of the money owing to them. Malbak undertook to repay all small creditors in full.

Under liquidation it is estimated by Malbak that creditors will receive about 28c in the rand after two years — worth 20c in present value terms.

But last night, Malbak group finance director, Peter Beningfield, said: "Certain of the major creditors have either rejected or not responded to the offer. Regrettably, we are unable to reach a compromise to save the company from liquidation, and Malbak is therefore withdrawing its offer."

It remains to be seen whether Malbak has sufficient grounds to rescind the 1988 merger between its own tyre interests and those of Quality. It is attempting to do this on the grounds that the February 1989 financial statements were fraudulent and that the merger was based on management accounts which were materially incorrect.

Malbak will be joining the list of creditors to pursue its own claim of R15 million against Quality.



# Rescue bid fails for Quality Tyres

bid day 7/12/89

196

ZILLA EFRAT

MALBAK's bid to rescue Quality Tyres from insolvency failed yesterday with some of Quality's creditors not accepting its offer.

Quality, the second largest tyre dealership in the country, is now expected to be liquidated. Its board will hold a meeting today to decide what action to take for the future.

Malbak group financial director Peter Beningfield said certain major creditors either rejected or did not respond to Malbak's offer.

"Regretably, we are unable to reach a compromise to save the company from liquidation, and Malbak is therefore withdrawing its offer to creditors."

Malbak will seek to withdraw its assets from Quality on the grounds that the February 1988 financial statements were fraudulent and that the merger between its own tyre interests and those of Quality Tyres was based on accounts which were materially incorrect.

Quality's published results for the year to February 1988 show a 85% rise in attributable earnings to R2,9m.

Asked if any charges would be laid, Beningfield said it would be up to the liquidators to do so if they saw fit.

Malbak will also pursue its own claim of about R15m against the company.

Malbak had proposed that Quality's

bankers and major creditors convert half of the combined R78m debt into equity and transfer a portion of the ensuing equity to Malbak, thereby raising Malbak's stake from 40,7% to 75%. Minor creditors would be paid out in full.

In a statement on Tuesday, Malbak said the alternative would be for Quality to be liquidated.

With the merger in 1988 Malbak acquired a 28% stake in Quality. This was increased to 40,7% in July this year.

While it had neither equity nor management control of Quality its representatives on the board insisted on the introduction of improved controls and reporting systems.

The first indication of irregularities came to light with the 1989 audit. The company's listing was immediately suspended and an investigation initiated.

According to Malbak, these irregularities related to borrowings which were unauthorised by Quality's board and which effectively increased its debt from the R15m shown in the accounts for the year to August 1989 to R50m.

According to Beningfield, Quality chairman Alex Hawes was on a week's leave. His wife said last night that he had no comment.



B/D w7 20/12/84. 196

# Orders against estates of Quality Tyres directors

THE estates of Quality Tyres directors Alex Hawes and Edward Philip, charged with fraud last week after investigations into the company's affairs showed undisclosed borrowings from banks totalling R54m, have been provisionally sequestered in the Rand Supreme Court.

Philip's estate was provisionally sequestered by Mr Justice Leveson yesterday. An order against Hawes was granted on Monday.

The sequestration orders were obtained by intervening creditor Central Merchant Bank Ltd (Senbank) after initial applications were brought by the provisional liquidators of Quality Tyres Ltd and Quality Tyres (1970) (Pty) Ltd.

Both companies were provisionally wound up on December 8.

Senbank has a R6m claim against both Hawes and Philip.

Papers before the court yesterday said Philip, Hawes and fellow director Basil Bruce O'Ehley borrowed

SUSAN RUSSELL

R6m from Senbank to buy shares in Quality Tyres Ltd.

Hawes is a director of both companies. Philip was a director of both until he resigned his Quality Tyres Ltd directorship in October.

Quality Tyres provisional liquidator Michael de Villiers said in an affidavit that Hawes and Philip acted together in "massive frauds" perpetrated by the two companies.

## Borrowed

"These frauds involved inter alia vast sums of money being borrowed from a number of commercial banks on behalf of each of the companies," he said.

He said a total of R56,6m had been borrowed from various banks.

"The far greater proportion of the monies borrowed was not reflected or recorded in the companies' books and records, nor did they receive any payment," said De Villiers.

He added that the net asset value of both Quality Tyres companies was nil.

Senbank's MD Douglas Anderson and senior GM Jurie Bester said in an affidavit that when Philip furnished the bank with a statement of his assets and liabilities as at June 28 this year, he had placed a substantial value on his shares in Quality Tyres Ltd.

It was apparent from the allegations in the affidavits put forward by Quality Tyres, they said, that the shares had no value.

Anderson and Bester said Philip had assets of R1 005 000 against liabilities of R6 231 571.

They added that Senbank's security for the R6m owed by Philip was the valueless shares he pledged to the bank as well as suretyship's given by Hawes and O'Ehley.

A trustee should be appointed as a matter of urgency to investigate the whereabouts of the vast amounts unaccounted for, they said.

The return date for both provisional sequestrations is February 20.

Vlok Ruthelazi (251)

#### Finance Staff

Following the provisional liquidation of Quality Tyres and its main operating subsidiary, Quality Tyres (1970) (Pty), an offer by Malbak to buy the business assets has been accepted by creditors.

Malbak has undertaken to pay the liquidators an amount ensuring that concurrent creditors receive a dividend of 31c in the rand in respect of their claims against Quality Tyres (1970) (Pty).

In return, Malbak has taken over the stocks, debtors, fixed assets and business names of the company with effect from liquidation date (December 8 1989). Nineteen of the 20 creditors represented at an informal creditors meeting last week voted to accept the offer.

Malbak executive director Tom Chalmers said that the tyre business would operate as a division of Malbak Trading, which also houses Malbak's motor and agri-

Creditors <sup>STAN</sup>  
27/1/89  
take Malbak  
offer for (1) (196)  
Quality assets (196)

cultural equipment interests, and would continue to trade under as Quality Tyres.

"We are very pleased with the support we have received from the tyre companies and look forward to working with them to consolidate Quality's position in the market place.

"The staff at Quality can now put the worries of the past few weeks behind them and concentrate on increasing market share under the Malbak umbrella," Mr Chalmers said.

MANUFACTURING — RUBBER PRODUCTS

1990

~~MANUFACTURING~~

~~RUBBER~~

# Tycon, Tredcor merge to form SA's biggest tyre force

196

B/day 23/1/90

**TYRE** manufacturer Tycon, formerly Goodyear Tyres, and tyre distributor Tredcor have merged to create the biggest tyre force in SA with an expected turnover of R1bn a year.

Tredcor was previously held by JSE-listed companies Trencor and Longmile, while full control of Goodyear was acquired by Consol when its US parent disinvested from SA in July last year.

Consol will now hold 61% of the merged company, while Trencor will have 21% and Longmile 18%.

Through its Mastertreads and Trentyre outlets, Tredcor is one of SA's leading distributors of locally-made, imported and retreaded tyres.

Its head office is in Cape Town, but it has operations throughout SA.

Tycon, with its head office in Port

ZILLA EFRAT

Elizabeth, manufactures tyres for passenger cars, trucks, tractors and earthmovers under the Goodyear label.

Its other products include conveyor belts, PVC food packaging and other films.

Consol group MD Piet Neethling says both Goodyear and Tredcor have the largest share of the SA market in their respective fields.

## Range

He says the merger, effective from January 1 this year, is expected to result in many synergies for both companies and in improved marketing and service to clients.

Tredcor will carry a full range of tyres, not just the Goodyear range.

As Goodyear Tyres in the US has

given its formal approval to the deal there will be no changes in the technical agreement it has with Consol.

The merger will not affect the present day operations of Tycon or Tredcor which will continue to trade independently.

As Consol has become the controlling and managing shareholder, the respective MDs will report to Neethling.

He says while a listing is not on the cards at the moment, provision has been made for one in the agreements between the companies.

The deal consists of a complex set of transactions with a small amount of cash changing hands, details of which will be posted to shareholders.

The effect on the earnings and net asset value of Consol, Trencor and Longmile cannot be determined until their results for the six months ended December 1989 are published.



# Tycon deal a challenge to the tyre industry

Star 24/1/90

196

It looks like a great deal for Consol and its tyre subsidiary, Tycon (formerly Goodyear), but the tie-up between Tycon and Tredcor could prove to be an even greater deal for Trenchor and Longmile.

If a major manufacturer is going to integrate forward into the distribution sector of the industry, it makes sense to link up with the largest player.

Even when Quality Tyres was at its strongest, it apparently ran only a distant second to Tredcor in tyre distribution.

In exchange for a 50 percent stake in SA's largest distribution and re-treading company, Trenchor and Longmile have each picked up a significant stake in what overnight has become the largest player in the industry, with activities embracing manufacturing, distribution and re-treading. The asset base is huge.

If either Trenchor or Longmile has a pre-emptive right on the shares of the other, the deal could prove to be even more attractive.

Such a pre-emptive right could see Trenchor at some stage sitting with 39 percent of what is currently the largest player in the tyre industry.

None of the financial details have been disclosed, but analysts agree it could involve a significant allowance for Tredcor goodwill.

The official announcement says: "The effect of the merger on the earnings and net asset values of Consol, Trenchor and Longmile respectively cannot be determined until after the publication of interim results of those companies to December 31 1989."

For the 12 months to June 1989, Goodyear earned R38 million. In the year to December 1988, group turnover was R410,8 million.

Diagonal Street

ANN CROTTY



There is a dearth of public information on unlisted Tredcor. But, based on Quality Tyres information, annual turnover could exceed R300 million.

Given that Tredcor is involved in distribution, which is far less capital-intensive than manufacturing, it looks as though Trenchor and Longmile will be trading in their stake in a margin-oriented Tredcor for a stake in a company with a much richer asset base.

It seems certain that the other three manufacturers (Firestone, Dunlop and Gentyre) would like to have pulled off this deal.

To some extent Firestone may feel comfortable enough being in the Sanlam stable, which also houses Quality Tyres. But right now Dunlop and Gentyre are looking a little bit left out, despite protestations by Tredcor and Tycon that the operations will continue to trade independently.

The prospect of a tie-up of distribution outlets is unlikely to cause too many sleepless nights at either Dunlop or Gentyre in view of the current excess demand for tyres and the belief that this situation is unlikely to alter materially within the next two years.

So if the Tycon and Tredcor merger beds down without too many difficulties, Gentyre and/or Dunlop may be tempted, over the next two years, to consolidate the various regional tyre distributors and re-treaders into a force worth siding with.

## BROADER TREAD (196)

FIM 26/1/90

After acquiring Goodyear SA with effect from July 1 last year, Consol has moved swiftly to strengthen its position in the tyre industry. It is effectively giving up 39% of Tycon (formerly Goodyear) and acquiring the controlling stake in a new company which will have a dominant share of the tyre distribution market.

From January 1 1990, Tycon is to be merged with Tredcor, now held 50:50 by Trenchor and Longmile. Tycon/Tredcor will be held 61% by Consol, 21% by Trenchor and 18% by Longmile.

No financial figures are being revealed until after interim results for the end-December period of the listed companies concerned have been published, but Consol MD Piet Neethling confirms that the merged group's annual turnover will exceed R1bn. Trenchor last year derived 30,1% of its R77,7m pre-tax profits from motor trade and tyres.

Neethling says there will be no significant financial impact for Consol in the short term. The move is primarily a strategic investment to enhance Tycon's security in the tyre market. Only one of SA's tyre manufacturers now owns a stake in a major distributor. Firestone has Supaquick, which has franchising operations. Firestone is linked with Federale Volksbeleggings, while Malbak — also in the Sankorp camp — has Quality Tyres.

The new company will have more than 150 tyre retreading and selling outlets, and about 30% of the market.



# Goodyear rejects 'lethal' tag on tyres

THE Goodyear tyre company has denied that certain of its earlier model NCT tyres could be described as "lethal" and has implied that a poll conducted among tyre dealers by Saturday Star was fictitious.

This follows a report in Saturday Star two weeks ago, a result of numerous complaints to the Automobile Association with regard to certain skidding characteristics of the Goodyear NCT Eagle tyre.

This week the SABC Radio South Africa consumer programme "Price Tags" contacted Saturday Star for comment on a statement made to programme presenter Isobel Jones by Goodyear PRO Mr Mike London.

Ms Jones said that Mr London questioned the poll among Transvaal tyre dealers by Saturday Star and claimed that Goodyear representatives had visited all dealers and

SABC  
2/11/90

CHRIS MOERDYK

19/6

that none had admitted to having been contacted by any newspaper.

Saturday Star has reacted to the implication by Goodyear that it had not conducted any poll by going on air on the "Price Tags" programme scheduled for broadcast this morning, confirming that tyre dealers had indeed been contacted.

We told "Price Tags" that without exception all of the dealers contacted refused to comment on the NCT tyres unless an assurance was given that they would not be identified. The reason for this being that they did not want to create a situation for themselves where their adverse comments might cause supplies to be withheld. All dealers contacted confirmed that in

their opinion the tyres in question could certainly be termed "lethal" and most had advised customers to change the tyres.

Ms Jones said that Goodyear had, in a statement to the SABC, suggested that all motorists whose cars were still fitted with the tyres could call in at their nearest Goodyear regional office.

The suspect tyres are Goodyear NCT Eagle models fitted before mid-1988 when the rubber compound was changed. It is believed that about 25 000 cars could still be fitted with these tyres. Skidding problems were experienced by numerous motorists, particularly in cold wet weather and on unusually rough road surfaces.

NCT tyres manufactured after mid-1988 and which are considered by the A.A. to be well within safety criteria, can be identified by two stars on the sidewall.

# Merger sets up a tyre giant

By Don Robertson

THE merger of Tycon (formerly Goodyear) and Tredcor has given birth to a giant in tyre manufacture and retailing.

The pooling of Tycon's tyre-making facilities and Tredcor's Mastertread and Trentyre outlets, which sell SA, imported and retreaded tyres, will lift turnover of the combined group to more than R1-billion a year.

Consol, an Anglovaal subsidiary, which bought Goodyear from the American parent in July last year, will hold 61% of the combined company. Tredcor and Longmile, which each has 50% of Tredcor, will hold 21% and 18% respectively.

The deal raised eyebrows in the market with suggestions that Tredcor and Anglovaal might move closer together. But Tredcor chairman Neil Jowell says there are no plans to strengthen links with the acquisitive Anglovaal group, although he has high regard for the company.

Consol's purchase of Tycon was done at a bargain price of R176-million and at a price/earnings ratio of less than five. In the six months to June Tycon reported operating profits of R46-million on turnover of R240-million. Assets are estimated at R500-million.

## Strike

Although the company was acquired in July, there is unlikely to be any financial benefit for Consol in the half-year to December, says managing director Piet Neethling.

A three-month strike and other industrial unrest as well as the closure over Christmas affected Tycon's profitability. In addition, Consol had to raise R50-million through a preference-share issue to complete the purchase, and this has to be serviced.

Mr Neethling says the influence on Consol earnings will not be large in the short term. He describes the deal as being strategic — linking the largest manufacturer and retailer of tyres.

Rationalisation will benefit all three companies.

Goodyear is the largest of SA's four tyre-makers with a market share of nearly 30%. Tredcor is by far the largest tyre retailer with about 150 outlets.

Although there are no plans for listing the merged group, it is provided for in the agreement.



# Consol increases profits by 43% to R87,5m

196

JOHANNESBURG. — Consol Limited, the packaging, tyre and rubber subsidiary of Anglovaal, increased operating profit by 43% to R87,5m (R61,1m) in the half year ending December 31, 1989.

Financing costs were high and profit after tax increased by 22% to R39,3m (R32,2m) and, after allowing for the preference dividend, earnings per share increased by 12% to R36m and 56,3c respectively (50,4c) per share.

Turnover increased by 61% to R631,7m (R392,8m), mainly as a result of the acquisition of Tycon, formerly the Goodyear Tyre and Rubber Company with effect from July 1, 1989.

Operating profit was adversely affected as sales volumes in most of the group's packaging markets either remained static or declined marginally and an 11-week strike and a two week go-slow occurred at Tycon, which originated from union demands related to the American disinvestment from the company.

Interest earned previously on surplus cash declined as it was used, together with the proceeds of the issue of R50m preference shares, for the purchase of Tycon and financing costs were high during the half year because of increased borrowings required to finance the installation of a new furnace at the Clayville Glass Factory.

The effective tax rate was 48,8%, slightly higher than the 48,3% for the same period last year and the 47,8% for the 12 months to June 1989.

Profit growth was recorded by the glass division despite sales being affected by generally weak demand and start-up costs related to the new glass furnace at Clayville.

Rigid plastics showed a marginal profit improvement in a soft market. Losses in flexible plastics increased because of high competition in a weak market for industrial flexibles and bags and sacks. The sale of the industrial flexibles operation becomes effective on March 1, 1990.

The paper division, with its corrugated investments, achieved meaningful profit growth in spite of a small decline in its market and a loss of market share to a new entrant in the Western Cape.

In spite of the disruptive effect of industrial action which adversely affected sales and output at Tycon a small operating profit was achieved. — Sapa

# Wayne Rubber restructuring benefits are still to come

THE reorganisation of Conshu's reformed subsidiary Wayne Rubber is still taking place and earnings and dividends reflected in the interim results to December have been maintained at last year's level.

Financial director Charles Rapp warns that the positive impact of the reorganisation is unlikely to materialise until the last quarter of the financial year and benefits will only materialise

B/Devy 1572/90

CHARLOTTE MATHEWS

196

in the new year.

In May, Conshu and Phoenix announced the merger of Conshu's Wayne division with Phoenix. Wayne was reverse listed into Phoenix and the new entity was renamed Wayne Rubber. The restructuring makes a comparison of this year's results with the previous interim almost meaningless.

The turnover of the new group is R57,6m, six times as large as the original Phoenix's R9,6m last year. Operating income of R4,6m, however, is only five times the R948 000 of the old company, showing the restructuring costs. Earnings were maintained at the same level as the previous year's 4,3c a share and the dividend was unchanged at 1,5c a share. The number of shares in issue has increased sixfold.



BTR/DUNLOP F/M 16/2/90

## Margin boost 196

A steep drop in the effective tax rate worked wonders for BTR/Dunlop's bottom line in the year to end-December. It enabled the already good trading profit to be translated into an EPS advance of 88% to 310c and the dividend could thus be lifted by a third on a 2,2 (1,6) times cover.

The reason given for the drop in the tax rate to 32% (46%) was the allowances appli-

F/M 16/2/90

196

cable to the higher capital spending during 1989. But, given the new tax regime on capital investment that took effect during December, it remains to be seen whether the rate can be kept near these levels.

The other big factor that helped this year was the much improved trading margin. The 50% jump in pre-interest profit achieved on the 19% rise in turnover was attributed by management to productivity and efficiency programmes.

The reorganisation of the tyre business, its transfer to a wholly owned subsidiary, Dunlop Tyres (Pty) and the rationalisation of the manufacture of industrial products also contributed.

Higher retentions have enabled debt to be virtually eliminated. Year-end borrowings stood at R0,5m against R13,7m and shareholders' funds stand at R267,3m. Financing costs last year were R4m (R3,7m) and look set to go even lower.

The historical yield on the 1 740c share price is now an attractive looking 8,1%.

*Andrew McNulty*

Star 27/4/90 (196)

# Gentyre results reflect signs of Quality debacle

By Ann Crotty

First signs of the damage the Quality Tyres debacle has wreaked on the tyre industry come in the form of a significant knock in operating income at Gentyre after the write-off of its share of the Quality Tyres bad debt.

But interest income and a drop in the tax charge enabled the group to report a 40 percent hike in earnings.

On a 16 percent increase in turnover to R452,2 million (R388,5 million), it only managed a 13 percent improvement in operating profit to R63,3 million (R56,2 million).

This means full-year margins were down from 14,46 percent to 13,99 percent. Management does not specify the extent of the write-off relating to Quality Tyres, saying only: "The bad debt arising from the debacle at Quality Tyres, a major customer, has been fully provided for. Margins, but for this write-off, would have exceeded the 14,5 percent achieved in 1988."

This suggests that the write-off could have been in the region

of R4 million, probably representing two to three months of purchases by Quality, with an allowance made for whatever is recoverable from the liquidators.

Operating profit in the second half was R35,2 million, compared with first-half profit of R27,2 million and second-half financial '88 operating income of R28,9 million.

The good news is that, stripping out the Quality impact (and assuming that all of the write-off was taken off second-half profits), the operating performance in the second half looks as though it continued the strong improvement evident at the halfway stage when margins were up from 11,1 percent to 12,8 percent.

The group received interest income of R3,3 million, compared with an interest payment of R2,6 million in financial '88.

The turnaround reflects the benefits of last year's R70 million sale of properties. Part of the proceeds have been used to fund capacity expansion in the tyre division. Pre-tax profit was up 24 percent to R66,5 million (R53,5 million).

The tax charge was down from

41,8 percent to 34,4 percent, leaving attributable profit showing a 40 percent advance to R43,6 million (R31,1 million), equivalent to 280c (200c) a share.

A final dividend of 61c (43c) a share has been declared, bringing the total payout to 93c (67c) a share.

The lower tax charge is attributable to a number of factors: tax allowances on the new plant; tax benefits from tyre exports and, probably most significantly, the structural changes that have been undertaken.

The latter involved the creation of a holding company, Gentyre Industries, with two wholly owned subsidiaries: the tyre division and the industrial products division.

Whatever the operational benefits of this restructuring, it is likely to have resulted in some tax benefits.

"Given stable operating conditions, we expect that organic growth will yield growth in earnings per share for 1990 in excess of the rate of inflation," the directors say.



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COMPANIES

# Gentyre — 40% more earnings on 16% turnover rise

RESTRAINED mainly by a shortage of capacity, Gentyre Industries pushed turnover for the year to December up by 16% to R452m from R388,5m, but translated this into a 40% increase in earnings a share.

Earnings rose 80c to 280c a share from 1988's 200c and a final dividend of 61c (43c) a share was declared, bringing the total dividend for the year to 93c (67c). Gentyre is an FSI company whose in-

CHARLOTTE MATHEWS

come is derived mainly from the manufacture of truck and car tyres. It also has a division which makes hoses, belts and allied products.

"Trading conditions remained firm with capacity limitations influencing the output of the tyre factory," chairman Terry Rolfe said.

A 13% rise in operating profit to R63m from R56m burgeoned into the

40% improvement in attributable profits to R43,6m (R31m) as a result of a net interest paid item and a lower tax rate.

A spokesman from Gentyre said the group showed a net gain in interest because the factory premises were sold at the end of 1988 and lease agreements for the properties were entered into. This was providing cash for expansion.

He explained the tax rate had fallen to 34% in 1989 from 42% in 1988 because of initial allowances granted on invest-

ments in plant, and from export allowances.

An extraordinary loss of R1m, relating to the Quality Tyre "debacle", was shown below the line. This had been fully provided for.

Gentyre embarked on a R30m expansion programme for its Port Elizabeth factory last year. The expansion, due for completion by mid-1990, is intended to increase production capacity by between 20% and 40%.

(196)

## New team appointed for Quality Tyres

MALBAK Trading has appointed a new management team for its Quality Tyres division, according to a company statement yesterday.

John Myers, previously at Malbak head office, is MD while financial director is Ray Joiner, previously financial director of Wiggens Teape.

Bruce O'Ehley and Terry Chapman, both of Quality Tyres, are marketing director and technical director respectively.

Joiner said sales in the central Transvaal had fallen over Christmas, partly as a result of having no stock.

196  
CHARLOTTE MATHEWS

"We are reviewing each branch and factory to see if they are profitable and are generally cutting expenditure."

Quality Tyres Limited and its operating subsidiary Quality Tyres were placed in final liquidation in January.

The assets of both companies, including the business as a going concern, were bought by Malbak, who offered ordinary creditors 31c in the rand.

Quality Tyres is currently suspended from the JSE.



# Consol retreaded for renewed drive

196  
ST Times  
11/21/90

By Ian Smith

JSE heavyweight Consol will announce interim results on Wednesday after a hectic half-year in which the group captured more than its share of the headlines.

First, it acquired Good-year Tyre & Rubber from disinvesting US parent for R176-million.

Then it went into a promising merger of the rubber and tyre operations with Tredcor, giving it control of one of SA's largest tyre retreading and distribution operations. The combined group will have turnover of about R1-billion a year.

Finally, Consol Plastics has concluded the sale of

most of its flexible packaging and industrial products interests to Murray & Roberts Plastics and Plastall.

The tyre and rubber group's contribution to first-half earnings were hit by a prolonged strike over the disinvestment, go-slow working and the Christmas shutdown.

## Lethargy

Consol managing director Piet Neethling says the results will not be great — by the group's standards.

"We have been hit by the lethargy of the economy. Packaging markets certainly aren't booming and growth has stopped in some sectors.

"Fortunately, the strike is out of the system, and production at Tycon returned to normal late last year and in January."

The foundations are in place for a return to the performance expected by the market.

The tyre and rubber acquisition has changed the nature of Consol considerably, but the diversification does not imply any lesser commitment to its traditional packaging interests, says Mr Neethling — "it opens up new avenues for us to grow in another sector".

Tycon and Tredcor have established and motivated managements in place, and they will have the traditional autonomy in day-to-day operations enjoyed by the older

Consol operations.

Mr Neethling says: "I am confident about the way everything has worked out."

Consol's three legs in packaging are soundly based in glass, paper and plastics. With the packaging industry controlled by Nampak, Kohler and Consol, opportunities to grow by acquisition were severely limited, and Consol began to accumulate cash.

Anglovaal, which holds a 55.4% stake in Consol, went along with the group's plans to move into a new area. When Goodyear looked for a buyer of the SA operation, Anglovaal chairman Basil Hersov's long tenure on the Goodyear SA board paid dividends.

## Independent

Soon after the deal was signed long and complicated negotiations began with Trenchor and Longmile, which jointly controlled Tredcor.

The final deal gave Consol 61% of the merged Tycon-Tredcor operations. Trenchor holds 21% and Longmile holds 18%.

Consol top management has had its hands full in the last few months with the big deals, and the first move must be to get closer to both Tycon and Tredcor and begin to understand the sectors in which they operate, says Mr Neethling.

Tycon and Tredcor will continue to operate independently under existing management, but the merger cre-



PIET NEETHLING ... foundations in place

ates a "unique force" in the tyre industry which serves the entire new and retread market.

This should lead to advantages in marketing and improved service to customers, benefiting shareholders and the motor industry, says Mr Neethling.

The sale of plastics operations is not connected to the expansion in the new field.

They came mostly into Consol during the group's diversification in packaging and allied products a few years ago.

"Now we are in a consolidation phase in packaging and investments are being carefully measured against their returns.

"We tried long and hard enough to bring the low performers up to our standards. There may be more synergy with the buyers' operations."

COMPANIES

# BTR-Dunlop's 88% rise in earnings keeps it rolling

By Alan 14/2/90

196

BTR-Dunlop just keeps rolling along with earnings soaring by 88% to 310c (165c) a share for the year to end December.

The SA group, 53% owned by UK-based industrial multi-national BTR, pumped up trading profit by 50% to R110,9m (R74,1m) on a 19% rise in sales to R631,8m (R529,3m) — indicating stronger margins at 17,6% (14%).

BRENT MELVILLE

Financing charges were kept to a very reasonable R4m (R3,7m) and with a reduced tax rate of 32% (46%), attributable profits ended up almost doubled to R172,5m (R38,2m).

Dividend cover was increased to 2,2 (1,6) times on a dividend of 140c (105c). On its present R17,40 (up 15c from yes-

terday), the results put the share on a P.E of 5,6 and an 8% dividend yield.

On the balance sheet, borrowing dropped to R500 000 (R13,7m).

MD Chve Hooper said the increase in profits stemmed from productivity and efficiency programmes combined with the benefits of higher sales volumes. He attributes much of increased sales to the launch of the new range of steel

belted car tyres and the re-organisation of the tyre business into its wholly owned Dunlop Tyre subsidiary.

He said the decrease in the tax rate was due to the higher allowances applicable to capex last year.

"Trading conditions are expected to be more difficult this year but the group expects to maintain its growth in line with the economy," said Hooper.



# Dunlop's <sup>share</sup> earnings (196) increase

The success achieved with its productivity and efficiency programmes pushed up BTR Dunlop's earnings by 88 percent for the year ended December.

Figures released on Tuesday show that trading profit recorded a 50 percent increase to R110,9 million (R74,1 million), after a rise in sales of 19 percent to R631,8 million (R529,3 million).

Attributable profit was accordingly higher at R72,5 million against R38,2 million in 1988. Earnings a share showed a corresponding sharp rise to 310c from 165c.

A final dividend of 90c was declared making a total of 140c for financial 1989, up 33 percent from 105c in 1988.

Last year Dunlop announced a capital expenditure programmes of R110 million over three years to meet the continued swing to radial steel tyres.

BTR last year reorganised its tyre business through a transfer of the operation to Dunlop Tyre, while the manufacture of industrial products was also rationalised in an effort to increase productivity.

Tax payments rose slightly to R34,4 million (R32,2 million) but the effective tax rate was lower as a result of allowances applicable to the capital expenditure programme.

The group also adopted the partial method of providing for deferred taxation.

On prospect, the directors state that trading conditions will be more difficult in 1990, but say that the the group should be able to maintain its growth in line with the economy.

# Trencor-Mobile's profits improve

Star 21/2/90  
Finance Staff (196)  
Trencor reported a satisfactory increase in earnings for the six months to December, as the general slowdown in the domestic economy was offset by the stronger than expected performance of trading operations and foreign activities. Financial results show that attributable income

increased significantly from R17,5 million to R29,6 million. This translates into earnings a share of 207c against 122,3c previously, while an interim dividend of 30c (20c) was declared. Mobile Industries' attributable income increased to R14,6 million (R8,7 million) and earnings

a share showed a corresponding increase to 51,6c (30,5c). A dividend of 7c (4,7c) was declared. Combined turnover of the group rose from R334 million to R395,8 million. The directors expect earnings in the second six months to improve over those of the first half.



# Gentyre boosts profits by 40%

Cap 7/19/80 77/2/80

196

By ARI JACOBSON

GENTYRE INDUSTRIES boosted profits attributable to ordinary shareholders by 40% to R43,5m (R31,1m) for the year to December, aided by higher turnover and improved margins.

This translated into record earnings a share of 280c, up 40%.

The final dividend has been increased to 61c (43c) a share making it a three-times-cover of 93c (67c) for the year.

Chairman Terry Rolfe said bad debts arising from the debacle at Quality Tyre, had been fully provided for.

"With turnover up 16% at R452m, margins would have supported this trend in excess of 14,5% — but for this write-off."

On prospects for the year, Rolfe said "capacity constraints at the tyre factory are being addressed in the ongoing capital expansion programme with funding being generated from internal cash flows."

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COMPANIES

196

# Longmile operating profits climb

LONGMILE has lengthened its margins and turned a 20% growth in turnover into a 25% improvement in operating profit for the six months to December, results released yesterday disclosed.

Turnover rose by R37m to R220m from R183m in December 1988 and operating profit to R23m from R18,7m. After a higher interest bill and a slightly reduced tax rate, attributable profits came out 24% better than in 1988 at R10,7m (R8,6m).

Earnings a share climbed by a similar percentage to 21,4c (17,2c) on which a conservative interim

## CHARLOTTE MATHEWS

dividend of 3c a share was announced, unchanged from the previous year.

Chairman Hendrik Potgieter said he had warned shareholders in his annual statement the current year would see a slowdown in the group's recent growth.

"While growth has slowed down moderately, it is still at an impressive level in the light of the brakes on the economy," he said.

"We expect to exceed our first half results during the remaining six-month trading period and should exceed the annual earnings

per share of the previous year."

Longmile has four major divisions. It held 50% of Tredcor, a tread rubber manufacturing and retreading business, until early this year when the merger of Tredcor with Tycon (formerly Good-year) was announced. Longmile now holds 18% of the merged firm.

## Benefits

At the time of the announcement of the merger the directors of the companies involved said the effect on earnings and net asset value on their respective companies would be established only with the release of results to December.

Potgieter said yesterday the merger was unlikely to have a meaningful short-term effect on the group's earnings or asset value but should produce longer-term benefits.

Longmile's other manufacturing interests are silencers through Silencer Services, industrial fasteners trading as Utility Fasteners and women's clothing with a range of labels.

Interest charges in the period under review rose to R6,8m from R4,2m. The directors said this was caused by higher interest rates and the traditional first half build up of working capital for the Christmas period.



## Gentyre report was incorrect

CHARLOTTE MATHEWS

A REPORT on Gentyre's results for the year to December, published in Business Day yesterday, said an extraordinary item of R1m shown below the line was the loss on customer Quality Tyre. Gentyre has pointed out that the loss was considerably higher than R1m and it has all been accounted for above the line. The figure of R1m refers to various small items. The error is regretted. (196)

6104 28/2/90

Man finds buyer

# Tiger Wheels roars defiance at slowdown

8 10am 5/3/90 LINDA ENSOR

196

TIGER Wheels, the tyre and wheel manufacturer, retailer and wholesaler, withstood the slowdown in the economy in the six months to end-December, increasing attributable earnings by 38% to R1,7m (R1,2m).

An increase in the weighted average number of shares in issue saw earnings per share grow by a lower 25% to 6,1c (4,9c).

This growth was achieved on a turnover rise of 22% to R25,4m (R20,8m).

Chairman and CE Eddie Keizan says the results reflect Tiger Wheels's ability to grow during downturns in the motor industry.

"These results have been achieved notwithstanding extra development expenditure incurred in both the manufacturing and retail operations in order to provide an infrastructure for further expansion," he says.

"The continued policy of tight asset management and conservative borrowing should allow the group to sustain these kind of growth levels without incurring a major interest burden. Unutilised term funding facilities are available should exceptional growth opportunities present themselves."

The group has a low gearing of 27% and cash of R1,1m.



CHARLOTTE MATHEWS

B1 Day 6/3/90 196  
BTR Dunlop marks 1990 as consolidation year

MANUFACTURING and marketing are the areas where BTR Dunlop believes its growth will lie, especially areas where the technological and capital content are significant, chairman Drury Gnodde said in the group's 1989 annual report.

He said 1990 would be a year of consolidation, but trading profits were expected to grow in line with the economy and inflation.

In the year to December Dunlop translated a 19% improvement in sales to R631,8m from R529,3m in the previous year into a 90% gain in attributable profits to R72,5m (R38,2m).

MD Clive Hooper said the increased profits stemmed from productivity and efficiency programmes combined with higher sales volumes.

A new range of steel-belted car

tyres, the Dunlop SP33, was launched in August and the tyre business was re-organised and transferred to wholly owned subsidiary Dunlop Tyres.

This, with the rationalisation of industrial products manufacturing, contributed to the company's good performance.

Capital expenditure was necessary to buy new equipment to handle the

swing towards radial steel tyres.

In the industrial products division, demand for mining and industrial products had been static, but that of automotive products had increased.

Emphasis in 1990 would be placed on securing a share of the additional automotive business which would become available as a result of the phase VI programme.

B/D ay 6/3/90 196  
Rubber import duty to be reviewed

EDWARD WEST

THE 25% import duty on raw rubber is to be reviewed, Board of Trade and Industry chairman Lawrence McCrystal said yesterday.

Meanwhile, users of synthetic rubber or isoprene will be faced with a price increase within the next two weeks from manufacturer Sentrachem, which decided to mothball the loss-making isoprene plant last week.

The import duty review follows Sentrachem's shutdown decision.

The plant was mothballed as there was little chance rubber prices would bounce back to previous highs in three to four years.

Sentrachem CE Johan van der Walt

said yesterday the increase would allow Sentrachem to maintain a positive margin during the shutdown period.

SA tyre manufacturers account for 65% of isoprene usage.

Tyre Manufacturer's Association director Michael Waterson said if protection granted to the local synthetic rubber industry fell away, tyre manufacturers would be able to import natural rubber at lowered cost.

BTR Dunlop MD Clive Hooper said a major reason for the low international rubber price was the international lev-

elling off of demand in the motor and tyre industries.

Waterson said tyre manufacturers had been under pressure to use the locally produced isoprene and thus had put much development into acquiring manufacturing methods necessary to use isoprene instead of natural rubber.

Hooper said it would take about six months and much expense to change certain plants back to natural rubber usage.

Van der Walt said the 8% increase would take effect on April 1.

The increase was agreed upon in consultation with Sentrachem's customers, he said.



*Hansard*

THURSDAY, 8 MARCH 1990

Note: Information is on the first Tuesday in March of the year concerned.

- (b) 1985 : 23
- 1986 : 92
- 1987 : 83
- 1988 : 97
- 1989 : 95

Note: The information in respect of OS-educators reflects the position on the first Tuesday in March of the year concerned.

- (3) Yes. The decrease in 1987 is due to the introduction of a new staffing formula at colleges of education. The decrease in 1989 is due to vacancies at the college.



FRIDAY, 9 MARCH 1990

HOUSE OF ASSEMBLY

QUESTIONS

Indicates translated version.

For written reply:

General Affairs: *9/3/90* *196*  
*Hansard*

Export promotion schemes: subsidies

101. Dr P J GOUS asked the Minister of Trade and Industry and Tourism:†

- (1) What total amount in subsidies was paid to manufacturers of tyres in terms of export promotion schemes during the latest specified period of 18 months for which information is available;
- (2) whether he will furnish information on the firms to which such subsidies were paid; if not, why not; if so, what amount was paid to each firm? B251E

The MINISTER OF TRADE AND INDUSTRY AND TOURISM:

- (1) R4,3 million in respect of all types of tyres and tubes of which separate details are not available.
- (2) No. It is unreasonable to furnish particulars relating to individual firms.

SATS strikes: damage

108. Mr P J PAULUS asked the Minister of Mineral and Energy Affairs and Public Enterprises:† *9/3/90* *230*  
*Hansard*

Whether any railway coaches, road vehicles and railway lines were damaged during the recent strikes by employees of the South African Transport Services; if so, (a) what is the extent of the damage, (b) (i) how many (aa) railway coaches and (bb) road vehicles were damaged irreparably and (ii) what is the replacement cost of these (aa) coaches and (bb) vehicles and (c) what is the total amount of the damage suffered by the Transport Services in this regard? B262E

The MINISTER OF MINERAL AND ENERGY AFFAIRS AND PUBLIC ENTERPRISES:† *9/3/90* *230*  
*Hansard*

	Destroyed	Damaged
(a) Motor coaches	16	20
Plain trailers	24	73
Road vehicles	1	10

Damage to railway lines was caused by explosions and the loosening of rail fasteners.

- (b) (i) (aa) 25
- (ii) (aa) R25,8 million.
- (bb) R500 000.
- (c) R31,12 million.

Tyre manufacturers: export promotion scheme

142. Adv C H PIENNAAR asked the Minister of Trade and Industry and Tourism:†

- (1) Whether there is any export promotion scheme for tyre manufacturers; if so, (a) what form does this scheme take and (b) what amount of money has been spent by his Department up to now in the current financial year by way of (i) direct subsidization and (ii) (aa) tax and (bb) other specified concessions in respect of this scheme;
- (2) whether this scheme is controlled in consultation with another State Department; if so, (a) what is the name of this Department and (b) why? B323E

The MINISTER OF TRADE AND INDUSTRY AND TOURISM:

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  - (a) Category A: Input costs assistance.
  - Category B: Value added assistance.
  - Categories C and D: Marketing costs assistance.
- (b) (i) R4,3 million during the latest period of 18 months in respect of all types of tyres and tubes.




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*Hansard*  


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B262E

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*Hansard* 9/3/90  B323E

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196

- (ii) (aa) None by the Department of Trade and Industry. The administration of income tax concessions which are granted in terms of the Income Tax Act, 1962 in respect of certain marketing costs falls under the Department of Finance.
- (bb) None.
- (2) Yes.
- (a) Department of Finance.

(b) Category D assistance comprises income tax concessions.

*Note:* A new system of export incentives will come into effect on 1 April 1990. According to the new system the existing Schemes A and B will be replaced by a General Export Incentive Scheme, while Scheme C will be adjusted and Scheme D will be discontinued on 31 March 1992. Tyre manufacturers will in principle also qualify for assistance under the new system.

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- |   |  |
|---|--|
| Andrew, Mr K M—<br><i>General Affairs:</i><br>Education, 61<br><i>Own Affairs:</i><br>Education and Culture, 90 | Landers, Mr L T—<br><i>General Affairs:</i><br>Law and Order, 119  |
| Coetzee, Mr H J—<br><i>Own Affairs:</i><br>Health Services, Welfare and Housing, 196                            | Leon, Mr A J—<br><i>General Affairs:</i><br>Planning and Provincial Affairs, 164                           |
| De Jager, Adv C D—<br><i>General Affairs:</i><br>Justice, 1   | Rabie, Mr J A—<br><i>General Affairs:</i><br>Planning and Provincial Affairs, 123                          |
| Law and Order, 157  | <i>Own Affairs:</i><br>Education and Culture, 335  |
| Edis, Mr M J—<br><i>General Affairs:</i><br>National Health and Population Development, 7                       | Rajab, Mr M—<br><i>General Affairs:</i><br>National Health and Population Development, 133, 263            |
| <i>Own Affairs:</i><br>Health Services, Welfare and Housing, 324  | <i>Own Affairs:</i><br>Education and Culture, 105, 341<br>Housing, 43                                      |
| Gerber, Mr A—<br><i>Own Affairs:</i><br>Education and Culture, 32   | Soal, Mr P G—<br><i>General Affairs:</i><br>Justice, 295   |
| Herandien, Mr C B—<br><i>Own Affairs:</i><br>Housing, 213   | Van der Merwe, Mr H D K—<br><i>General Affairs:</i><br>Constitutional Development, 289<br>Home Affairs, 55 |
| Local Government and Agriculture, 218   |  |



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Hansard 9/3/90 B323E

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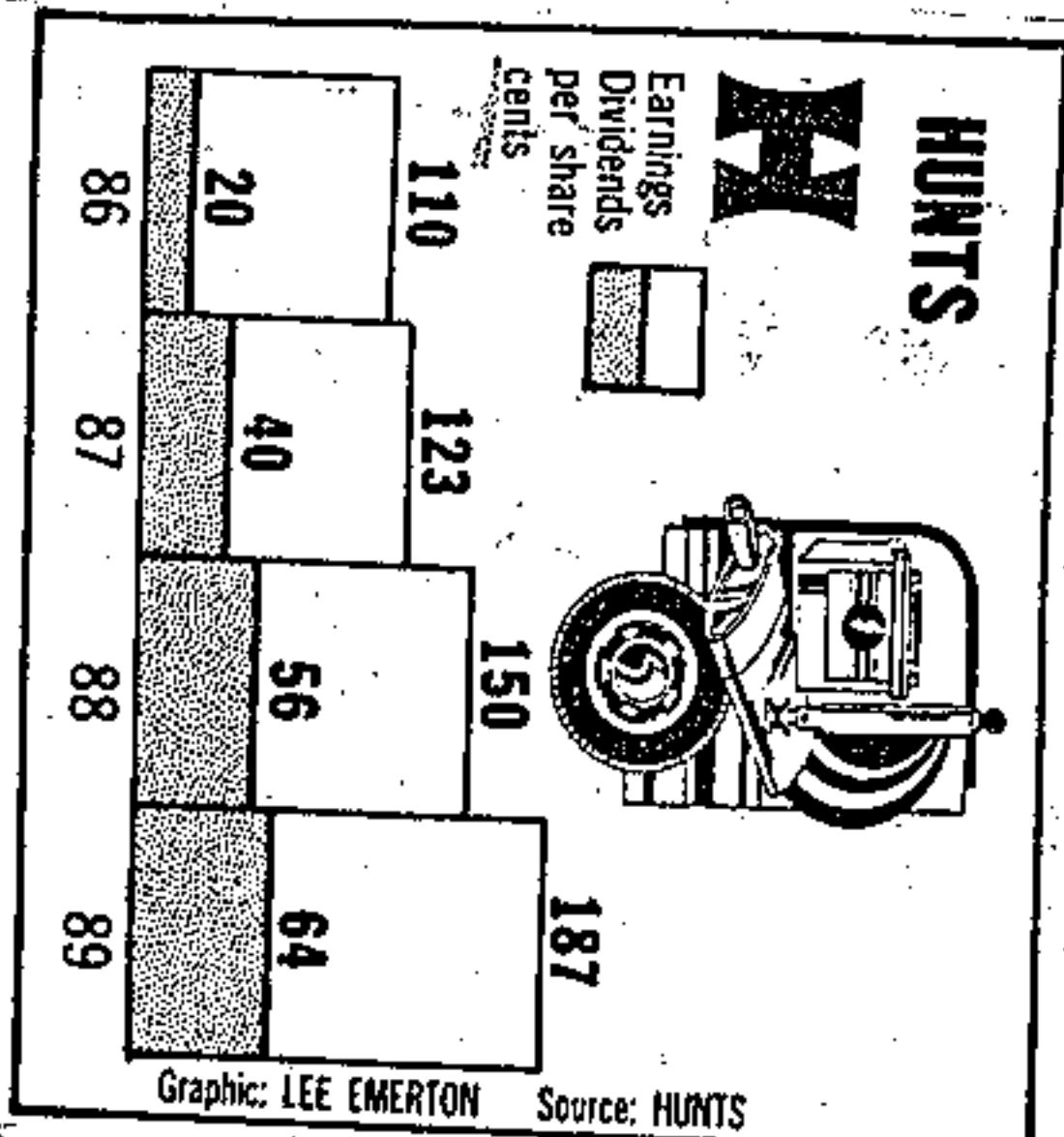
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| <i>General Affairs:</i>                              |  |
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| Home Affairs, 55                                     |  |

**COMPANIES**

# Hunts subsidiaries help to raise group profits by 25%

196



**INDUSTRIAL** and distribution group Hunts, an FSI controlled company, has raised attributable profits by 25% to R60,6m for the year to December, compared with R48,5m in 1988, on improved results from its three direct subsidiaries.

Chairman Jeff Liebesman said the results had been achieved in spite of a general tightening of trading conditions in the second half of the year and the bad debt arising from the liquidation of Quality Tyres, which was a major customer of Hunts subsidiary Gentyre. Earnings before extraordinary items were 25% higher at 187c (150c) a share on an undiluted basis, and 177c (142c) a

**CHARLOTTE MATHEWS**

share taking the looming conversion of Teamcor convertible preference shares into account.

A dividend of 64c (56c) was declared. A comparison with 1988 figures is uninformative because 1988 has been restated to take into account the contributions from Natbold, Burhose and Hygienia.

Turnover rose 23% to R1,6bn from R1,3bn. An improvement in operating margins to 11,5% from 11,1% was reflected in a 28% higher operating profit of R138m (R147m).

1989

Finance charges rose 57% to R63m from R40m. Before debenture interest payments there was a 4,2 times interest cover from 5,7 times in 1988.

An extraordinary profit of R20,7m arose mainly from Teamcor's part share of capital profit of R363m realised by associated company Elcentre Corporation.

Hunts pays a low tax rate of 27% (28%) because all subsidiaries are exporters and qualify for allowances. There are also capex and assessed losses within the group. Liebesman explained the slight increase was due to Vektira's becoming fully liable for tax in the year under review.

Of the direct subsidiaries, Gentyre Industries increased eps by 40%, Teamcor by 21% and Hunts Manufacturing and Hygienia "produced record operating profit", Liebesman said.

Director Alan Chonowitz said yesterday Gentyre and Burhose, major subsidiaries in the group, were significantly increasing their capacity and were expected to show real organic growth. Liebesman said the directors were always looking for logical acquisitions for Hunts' core businesses and certain opportunities were under investigation. He said directors expected earnings a share to show satisfactory growth to December 1990.



## Merger spells growth for Consol

8/10am 28/3/90 Business Day Reporter 196

THE merger between tyre manufacturer Tycon — formerly Goodyear Tyres — and tyre distributor Tredcor would have decreased Consol's earnings to 139,2c from 143,3c had it been in effect for the year to June 1989.

The merger of the two, effective from January 1, saw the creation of the biggest tyre force in SA with an expected turnover of R1bn annually.

Consol holds 61% of the new company, to be named Contred, while Trenchor and Longmile — which previously held Tredcor — hold 21% and 18%, respectively. Consol acquired full control of Goodyear when its US parent disinvested from SA in July last year.

Announcing details of the financial effects of the venture today, UAL merchant bankers say improved growth in Consol's earnings a share is expected to result from the combined venture in the longer term.

UAL says goodwill of about R95m has arisen on the Tycon acquisition, and the combined venture will effectively increase this to about R104m. Consol directors say the goodwill is "fair and reasonable".

If the goodwill attributable to the combined venture was offset against the net asset value of Consol, the venture would have reduced the net tangible asset value per Consol ordinary share as at end-December by 5% to 248c.

Consol posted earnings 12% up at 56,3c (50,4c) a share in the six months to December on turnover which grew 61% to R631,7m due to the Tycon acquisition.

BTR/DUNLOP

# Profitability restored

FIM 30/3/90 (196)

**Activities:** Manufactures industrial and consumer rubber products.

**Control:** BTR Plc 52,3%.

**Chairman:** A M D Gnodde; MD: C R Hooper.

**Capital structure:** 23,4m ords. Market capitalisation: R456m.

**Share market:** Price: 1 950c. Yields: 7,2% on dividend; 15,9% on earnings; PE ratio, 6,3; cover, 2,2. 12-month high, 2 100c; low, 1 000c. Trading volume last quarter, 305 000 shares.

Year to Dec 31	'86	'87	'88	'89
ST debt (Rm) .....	25,5	18,5	3,4	3,5
LT debt (Rm) .....	1,1	0,4	0,3	0,5
Debt:equity ratio .....	0,18	0,12	0,01	nil
Shareholders' interest .....	0,59	0,58	0,63	0,64
Int & leasing cover .....	10,6	12,2	20,0	27,7
Return on cap (%) .....	15,9	16,9	22,6	27,8
Turnover (Rm) .....	358	411	529	632
Pre-int profit (Rm) .....	36,0	47,6	74,0	110,9
Pre-int margin (%) .....	10,1	11,6	14,0	17,6
Earnings (c) .....	86,5	106,6	163,2	309,5
Dividends (c) .....	75	85	105	140
Net worth (c) .....	632	705	870	1 136

Viewed against the strong earnings growth of the past two years, management's continued pre-occupation with protection for the local tyre industry may seem a little incongruous.

In his review, MD Clive Hooper again notes the limited increase in sales achieved by local tyre manufacturers in contrast to the "significant growth" of imports and the continued delays in considering the industry's application two years ago for a higher formula duty.

Not mentioned, however, is the fact that BTR Dunlop's motor division remains the most profitable sector of the group in terms of trading margin on sales — a situation probably helped by the progressive move to hi-tech product lines. This would account for the 37% gain in trading profit achieved by the division last year on a sales increase of under 11%.

But while there is little evidence, on the face of it, that the group is suffering unduly from effects of imports, sight should not be lost of the fact that the group's strong performance in recent years has, as much as



BTR's Hooper ... growth in tyre imports

anything, stemmed from restoration of normal profitability after the protracted earnings slide of the early Eighties.

For Dunlop, this started well before the merger with BTR in 1986. Its earnings peaked at 135c in 1982 and had fallen to 100c by the time the financially weaker BTR was absorbed. The initial results of the enlarged group were disappointing, to say the least, with 1986 EPS down to 87c to give a cumulative decline of over 35%. This was matched by the collapse of profitability ratios — the trading margin that year was only 10%, the pre-interest return on capital 16% and return on equity 14%.

1987 was not much better and it was really only in 1988 that the recovery started to make itself felt. This continued through to the latest set of results to yield an almost three-fold increase in EPS over the two years. At the same time, the trading margin recovered to 17,6%, with corresponding increases in the pre-interest return to almost 28% and in ROE to 27,3%.

The above is relevant to any assessment of prospects as, with a high level of profitability restored, it is obvious future earnings are not going to benefit, as they have done over the past two years, from recovery.

But it does not automatically follow that future earnings performance need be pedestrian. What has also happened over the past three years is that the group has completely degeared its balance sheet. This involved repaying about R26m of debt while at the same time maintaining a fairly brisk capex programme. In this context, the present expansion, involving R110m in capex to be

spent over the next three years (against R88m for the previous four years), is unlikely to induce much strain on the balance sheet and, assuming current profitability and cash-flow levels are maintained, may not even prevent a build-up of cash.

From a structural point of view, therefore, the group could consider acquisitions as a means of absorbing surplus cash flow. And while it is true that Dunlop has never been particularly active on this front in the past, it is equally true that, in recent years, management has been kept busy bringing order to the existing spread of activities.

For the moment, however, the company is projecting no more than growth in line with the nominal growth of the economy for the current year. It could do somewhat better as regards earnings, but a dividend increase of more than 15% is unlikely, given management's commitment to continue building cover, which has only just topped two.

But even a 160c (1989: 140c) payout would yield over 8% at the current 1 950c, suggesting further upside potential for the share, despite its 50% gain over the past year.

Brian Thompson

NU-WORLD FIM 30/3/90

## Stocking up

**Activities:** Manufactures, distributes and exports domestic appliances and wiring accessories.

**Control:** Goldberg family 85%.

**Chairman:** J Temple; MD: M S Goldberg.

**Capital structure:** 12,8m ords. Market capitalisation: R5,8m.

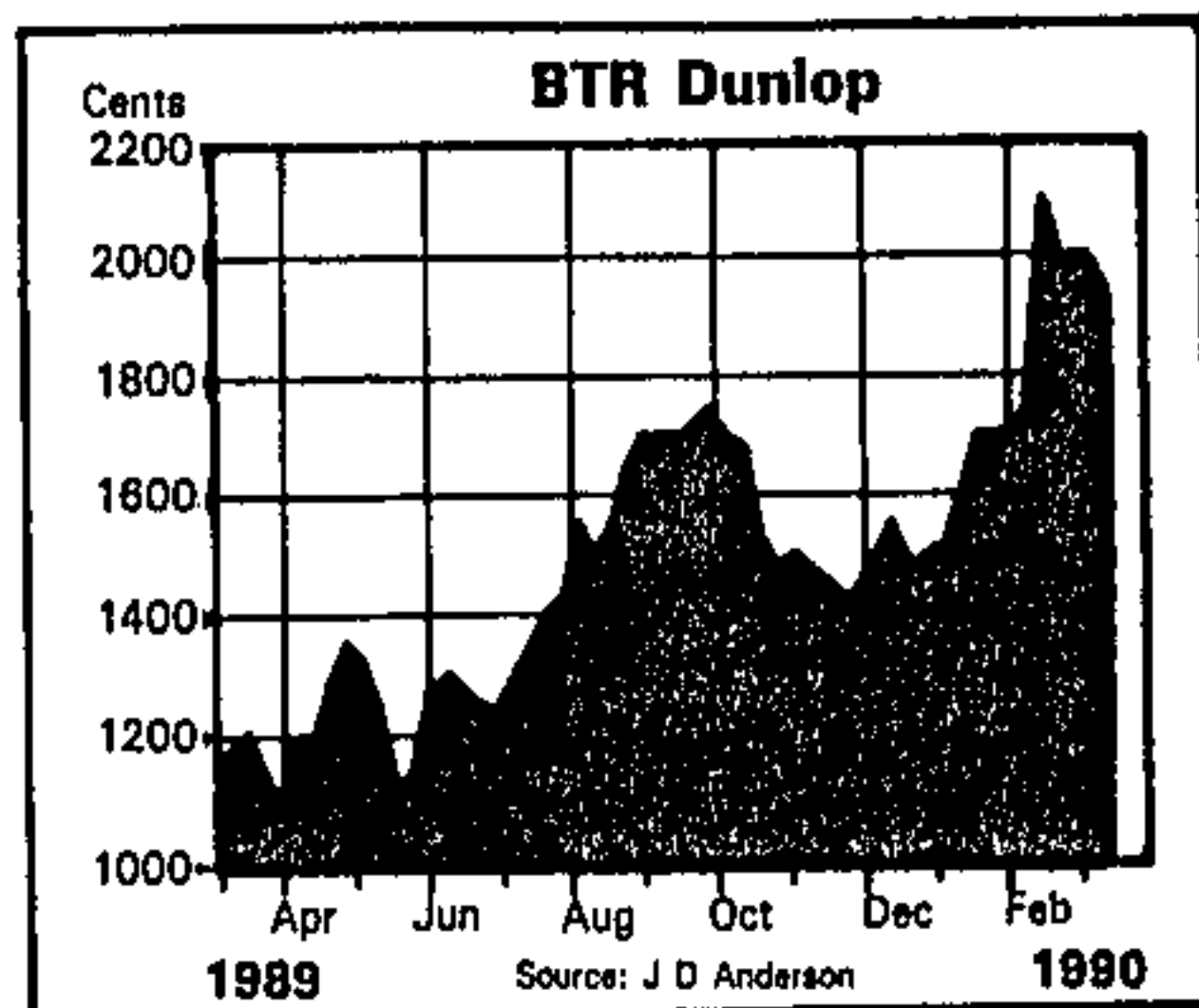
**Share market:** Price: 45c. Yields: 9,6% on dividend; 36,9% on earnings; PE ratio, 2,7; cover, 3,9. 12-month high, 80c; low, 33c. Trading volume last quarter, 88 400 shares.

Year to Aug 31	'87	'88	'89
ST debt (Rm) .....	—	0,5	3,0
LT debt (Rm) .....	—	0,4	1,8
Debt:equity ratio .....	—	0,16	0,95
Shareholders' interest .....	—	0,46	0,33
Int & leasing cover .....	—	29,85	5,36
Debt cover .....	—	2,21	0,47
Return on cap (%) .....	—	37,48	22,75
Turnover (Rm) .....	12,1	19,0	25,7
Pre-int profit (Rm) .....	1,6	2,91	3,52
Pre-int margin (%) .....	15,3	15,3	13,7
Taxed profit (Rm) .....	0,8	2,8	2,9
Earnings (c) .....	6,1	14,3	16,6
Dividends (c) .....	—	4,3	4,3
Net worth (c) .....	—	27,4	26,7

\* Pro forma

Nu-World's 1989 results reflect its dependence on the highly cyclical consumer market and a heavy capex programme.

Deteriorating economic conditions, a





# Goodyear USA defeats proposal to break SA ties

31021  
10/4/90  
A FORMAL proposal that Goodyear USA sever its ties with Tycon (formerly Goodyear SA) was defeated at the AGM of shareholders in New York yesterday.

College Retirement Equities Fund (CREF) — which owns 2-million Goodyear shares worth about \$73m, yesterday proposed to Goodyear shareholders that SA ties be severed. CREF is the largest single shareholder in Goodyear USA, with a 3% stake. Piet Neethling, group MD of

LINDA ENSOR

Anglo Vaal's Consol, which purchased Goodyear SA for R176m, confirmed the defeat of the proposal, saying "it would appear the majority of shareholders and certainly management of Goodyear are opposed to the idea".

Neethling said CREF had regularly, over many years, made calls for Goodyear to disinvest and was now calling for a severing of all ties.

196 The acceptance of the proposal would have disruptive effects on Tycon's technology and brand name agreements with Goodyear, Neethling said.

"Such a move would be a sad event as we are certainly dependent on Goodyear technology and also use the Goodyear and Kelly-Springfield brand names."

Tycon is also tied in with Goodyear USA's international supply networks. Neethling said Ty-

con would probably be able to continue for about 12 months and would then need to make alternative arrangements.

CREF spokeswoman Claire Sheahan said: "We are delighted that Nelson Mandela is now free, and that is a significant step forward. However, it would be premature for (CREF) to change its position until we see the actual dismantling of the apartheid system."

Star 25/4/90

196

The Star Wednesday April 25 1990

21

# Economic squeeze blunts Malbak's growth

By Derek Tomney

High-flyer Malbak has had the unusual experience of having its wings clipped.

The Government's economic squeeze, which started to take effect last September at the same time Malbak started its current financial year, has had a considerable impact on the company's operations, reports the executive chairman, Mr Grant Thomas.

He also expects difficult conditions in the second half of the year and forecasts, somewhat gloomily, slightly lower earnings for 1989-90 than in 1988-89.

The squeeze, an increase in interest rates and a bad experience overseas all served to slow down sharply Malbak's profit growth.

After tax-earnings, which increased by 295 percent in the six months ended February, 1988 and by 44 percent in the same six months in 1988-89, grew by only 10 percent — from R101 million to R111 million in the six months ended February this year.

Earnings a share were also hard hit. In the six months ended February this year they increased by only 10 percent from 54,6c to 56,5c.

For shareholders the bottom line is that the interim dividend remains unchanged at 12,5c a share. But Mr Thomas has indicated that the final dividend could be increased.

He says that Malbak's major divisions, which account for 90 percent of its earnings, all produced satisfactory and in

some cases exceptional results in the six months ended February. But the loss in Malbank's international division and an earnings decline in the development division put the brakes on what would otherwise have been a fine performance.

He said the results, in the light of the tough trading conditions and high interest rates, were satisfactory.

"The recession really started to bite in September, which was the start of the Malbak's financial year," he says.

"This means we are reporting on a half-year consisting of six months which have all been affected by the current recession.

## Borrowing up

Sales increased 21 percent to R4,0 billion while operating income also rose 21 percent to R335 million.

Operating income as a percentage of sales remained constant at 8,4 percent. Interest increased by 49 percent, partly as a result of high rates and partly as a result of the inclusion of acquisitions which increased total borrowing.

Sales by the packaging and paper division rose 24 percent and earnings by 17 percent, while sales by the engineering and mining supplies division increased 19 percent and earnings by 16 percent.

The consumer division increased earnings by 5 percent, while in the food division Kanhym increased earnings by 29 percent.

The construction and mining supplies division achieved a 36 percent increase in earnings from a 25 percent rise in sales.

But the performance of the development and international divisions, which account for less than 10 percent of the Group's profits, was disappointing, says Mr Thomas.

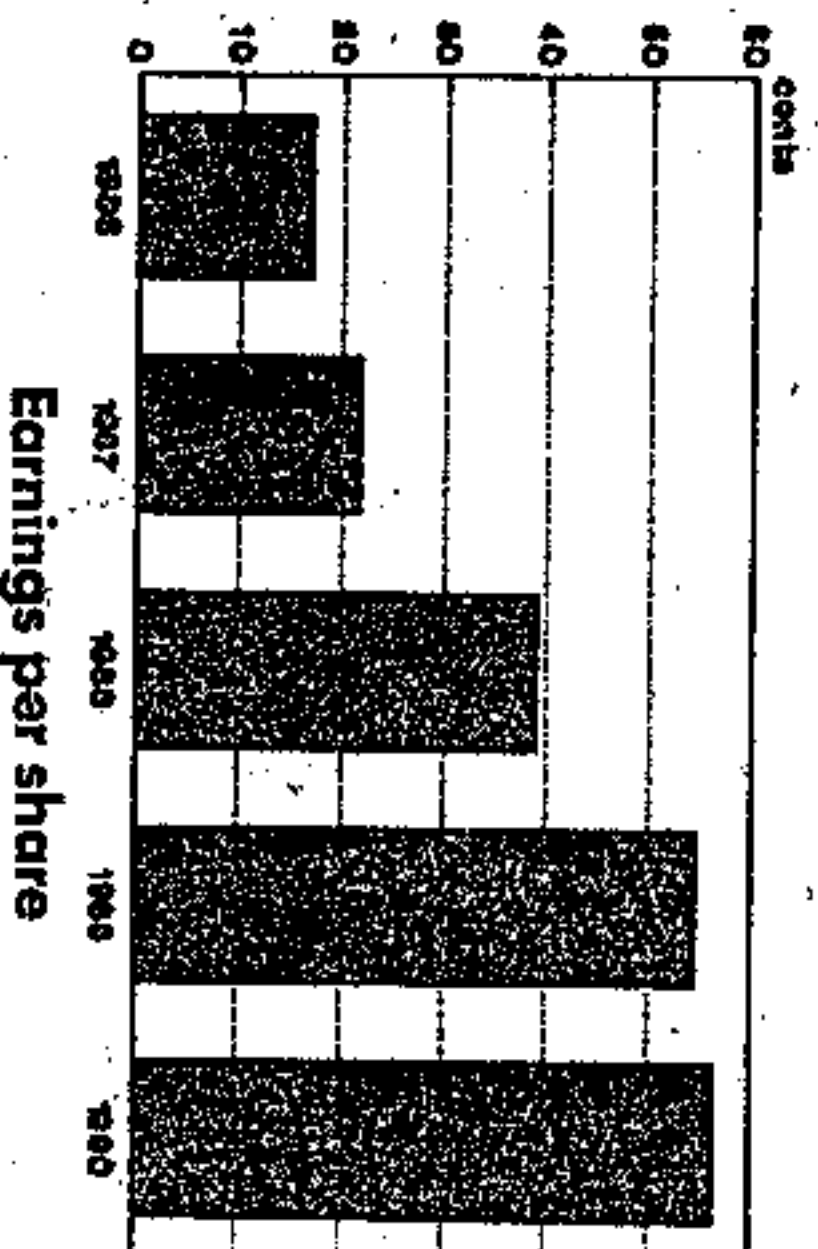
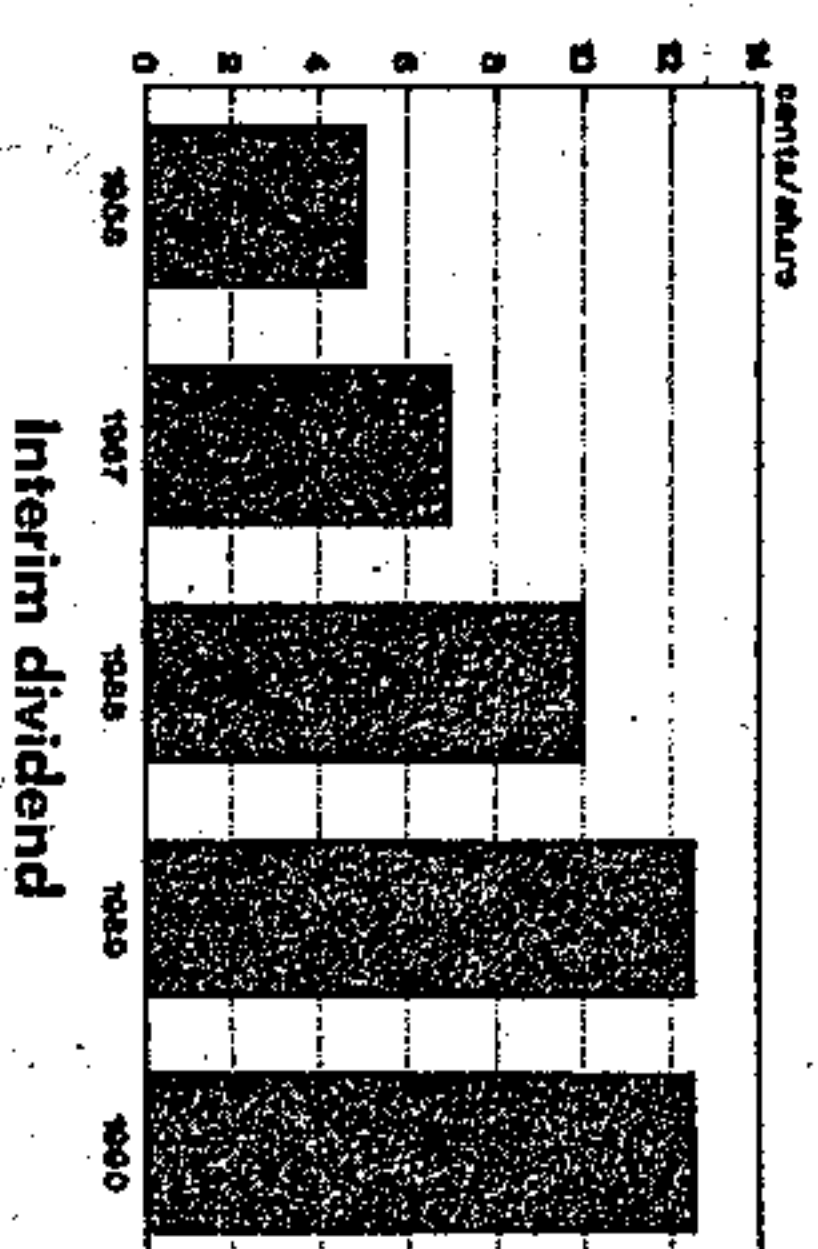
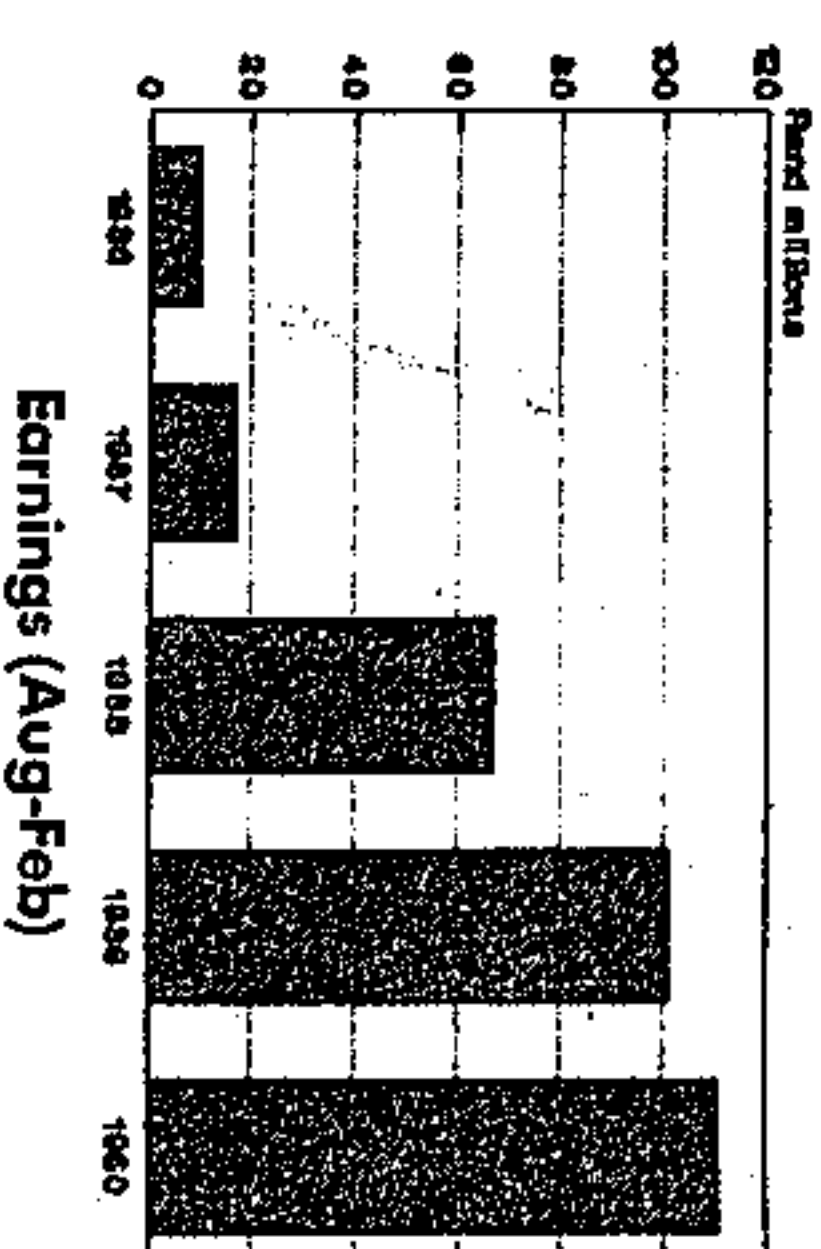
In the development division, health care suffered from materially reduced Government spending and some operational problems "which are being addressed".

ICL, also in this division, reported reduced profits but performed well considering the current state of the computer industry.

The international division suffered a material decline in earnings owing to the poor performance of MY Holdings. "But the relocation and operational problems are being progressively eliminated and an improvement is expected on the six months ending August".

Mr Thomas said in the six months to August the group is likely to continue to be affected by the difficult economic conditions and by the general political unrest which is causing labour instability. At the same time the group's average tax rate will increase owing to the exhaustion of tax losses in some divisions.

Malbak is well equipped to weather these turbulent conditions, but earnings for the year to August will probably be a little lower than those of 1989, he says.





## Quality Tyres to cost Malbak R45m

BRENT MELVILLE

196

THE gross cost to Malbak of liquidated Quality Tyres had been pegged at R45m plus the group's original investment, Malbak directors said yesterday.

In addition, the group had written off its 41% investment in Quality to the tune of R18m, they said. 810 25/4/90

Malbak financial director Peter Beningfield said the 31c in the rand offer accepted by Quality Tyres' creditors in open tender translated into a gross cost to Malbak of R45m. The company was placed in voluntary liquidation last December.

Beningfield said, however, that after

□ To Page 2

## Malbak

810 25/4/90

196

□ From Page 1

realising certain of Quality's assets at better than purchase value, the final cost should be reduced by the over-recoveries in surplus assets, stocks and debtors and should be closer to R25m.

He estimated that at the time of purchase total debtors were worth about R28m, though allowances had been made for some of the more "dodgy" ones, he said.

Beningfield added that Quality was having no trouble with its suppliers: "They have appreciated that Malbak did not have control of the company."

At its peak last year Quality Tyres was the second largest new tyre distributor and retreader in the country.

● See Page 13

# Gentyre expects to beat inflation rate

196

EDWARD WEST

GENTYRE directors expected earnings growth in 1990 to be in excess of the inflation rate, given stable operating conditions, Gentyre chairman Terry Rolfe told shareholders in the 1989 annual report published today.

The FSI Corporation-controlled tyre company increased earnings a share by 28% in 1987, 41% in 1988 and 40% in 1989. In the past five years its share price has risen from 220c a share to an untraded 2050c yesterday.

Rolfe said demand for Gentyre products continued at a high level in 1989.

Demand for Gentyre's Continental tyre brand had resulted in demand greatly exceeding its capacity to supply. The problem was compounded by growing demand for General Tyre passenger and truck tyre ranges.

This constraint was being addressed in a capital expenditure programme to increase production capacity by 40% at its Port Elizabeth tyre factory.

The annual report showed cash-flush Gen-

tyre had R39m cash on deposit. Capital expenditure commitments for the year to December was R31,5m (18,5m).

During 1989 a group restructure saw the operations of the tyre division and certain companies in the industrial division transferred into two separate operating companies enabling sharper management focus and greater efficiency.

Gentyre's industrial rubber products division, which held operating divisions Hydriflex, MIR and SA's only recycler of scrap rubber, Paragon, contributed 14% to Gentyre operating profit of R63,3m in 1989.

Gentyre's turnover increased 16% to R452m for the year. Abnormal bad debts written off increased from R1,27m to R6,34m.

Anticipated losses from the liquidation of Quality Tyres were provided for in the earnings of 280c a share, while return on assets rose from 34,5% to 39,3%.



# Malbak dismisses shareholders' <sup>by 100%</sup> Quality complaint <sub>27/4/90</sub>

~~SA~~ BRENT MELVILLE <sup>196</sup>

DISCLOSURES this week that Malbak was expecting to recoup much of what it paid to creditors of Quality Tyres has prompted allegations by several of Quality's minority shareholders that Malbak had effectively "stolen" the company.

Malbak promptly dismissed the suggestion as ridiculous and completely without foundation. Business Day reported this week that the acceptance of the offer by Quality Tyres creditors in open tender translated into a R45m cash payment by Malbak.

This is the gross cost of Malbak's open tender offer for Quality's assets, and will reduce as normal creditors and borrowings are brought into the new business.

But, irked by the fact that they have been sidelined since Quality Tyre's October 24 suspension, minority shareholders suggested to Malbak financial director Peter Beningfield on Wednesday that all shareholders had not been treated equally and the competitive bid by Tredcor should have been accepted by liquidators instead.

Beningfield's response was to remind them that Malbak itself had been forced to write off its 41% investment to the tune of R18m as its full potential loss. "In addition shareholders are not entitled to any share of a liquidated company," he said.

A Deloitte's spokesman said that there could have been a payment to minority shareholders only if Malbak had taken over in terms of section 311 of the Companies Act.

## Surplus assets

Deloitte's, acting as liquidators, confirmed that the overall amount owing by Quality had been R118,4m.

Of the total, R6,3m would be paid at the 100% level to preferred (R3,5m) and secured (R2,8m) creditors. Of the R112m balance — to be paid at 31c in the rand — banks were owed R58,7m, tyre companies R25,6m and minor creditors the remainder.

Of the R45,4m outlay, therefore, R34,8m would be paid on the 31c in the rand basis, R6,3m at 100%, and R4,3m would go to liquidation expenses. Beningfield reckons that Malbak will over-recover surplus assets, stocks and certain debtors worth about R20m.

Quality Tyre's last traded value was at 145c a share. With 33,7-million shares in issue, this valued it at R48,9m. Minorities, with an 18% holding, lost out on R8,8m.

Beningfield said Quality still retained its position as the second largest new tyre distributor and retailer in the country, though there were no plans to relist. Quality Tyre's listing was terminated on February 27.

Malbak executive chairman Grant Thomas said Malbak's decision to acquire the interest in Quality, and merge it with its own tyre interests, had been based upon its audited accounts and subsequent management accounts — which contained material irregularities.

Even after the acquisition certain accounts presented to the board were unsatisfactory.

An investigation into the "irregularities" and an inquiry under the Companies Act resulted in the estates of Quality Tyres directors Alex Hawes, Edward Philip, and Basil Bruce O'Ehley (who together controlled 41% of the company) being sequestered. O'Ehley has been retained by Malbak and is still with Quality Tyres.

FIM 11/5/90 (196)

**GENTYRE**

**Deeper tread**

**Activities:** Manufactures and distributes tyres and other synthetic natural rubber products.

**Control:** Hunts 67%.

**Chairman:** T Rolfe; MD: I Posniak.

**Capital structure:** 15,6m ords. Market capitalisation: R327,6m.

**Share market:** Price: 2 100c. Yields: 4,6% on dividend; 13,3% on earnings; PE ratio, 7,5; cover, 3. 12-month high, 2 100c; low, 1 075c.

Trading volume last quarter, 87 720 shares.

Year to Dec 31	'87	'88	'89
ST debt (Rm) .....	—	24,0	4,1
LT debt (Rm) .....	3,7	—	—
Debt:equity ratio .....	nil	nil	nil
Shareholders' interest .....	0,67	0,67	0,68
Int & leasing cover .....	12,6	13,9	nil
Return on cap (%) .....	18,8	22,7	22,0
Turnover (Rm) .....	330,4	388,5	452,2
Pre-int profit (Rm) .....	40,0	56,2	63,3
Pre-int margin (%) .....	12,0	14,3	14,0
Earnings (c) .....	142,1	200,0	280,0
Dividends (c) .....	48	67	97
Net worth (c) .....	919	1 074	1 250

Gentyre's strong performance can be attributed more to interest receipts and lower taxation than to any improvement at the operating level. Earnings rose 40% on 16% turnover growth and a 13% rise in pre-interest profit.

Capacity constraints prevented the company from taking full advantage of demand for its tyres which provide about 80% to operating income. Chairman Terry Rolfe hopes this year's capex programme will narrow the demand-supply gap but warns a shortfall will persist for some time. The constraints reflect a marked swing in consumer preferences to steel-belted tyres. Gentyre's steel-belted Continental tyre is fitted to new vehicles in the top range and demand remains "exceptionally strong."

Trading margin fell slightly in 1989 with the advent of rent payments and a R6,34m bad debt write-off when Quality Tyre went bankrupt. On the other hand, splitting the group into two separate operating companies — tyres and industrial rubber goods — improved efficiency and reduced costs.

Properties sold in 1988 as part of a 10-year buy-back agreement are now rented by the group. The sale boosted cash balances and helped attributable earnings. The group had net cash of R39m (R22,3m) at the year-end and earned net interest of R3,2m against the previous year's R2,7m payment. Rolfe says cash is still being amassed in anticipation of extensions to the Port Elizabeth factory. He also expects the effective tax rate to remain low for some years because of tax allowances, export incentives and further benefits from the corporate restructuring.

Last year the industrial division increased its contribution to operating profit, as emphasis was placed on high-tech products for niche markets, and less successful products were discontinued. Paragon, the country's only recycler of scrap rubber, has identified opportunities in the export market.

Rolfe adds both divisions have met their

FIM 11/5/90 (196)

budgets since January. He also expects organic growth in 1990 to give rise to a real increase in EPS. Earnings have grown at a compound 31% since 1984 and the share is standing at a 12-month high. Pam Baskind



# BTR Dunlop races ahead

Listed UK company BTR plc has every reason to be proud of its 52,3 percent investment in SA-listed BTR Dunlop whose trading profit was 50 percent higher than in 1988 and exceeded R100 million for the first time.

The increase in profits stems from productivity and efficiency programmes, combined with the benefits of higher sales volumes, says MD Clive Hooper.

Although sales increased in 1989 by 19 percent, only five percent was real growth.

But the most outstanding feature of the 1989 annual report was that pre-tax profits were a mammoth 16,92 percent (1988: 13,29 percent) of sales, with attributable earnings at 11,48 percent (1988: 7,21 percent) of sales.

These are significant percentages and when a bottom line virtually doubles that of the preceding year, one's curiosity is aroused.

Not only has debt declined to R4,05 million (1988: R13,73 million), but there is now a healthy cash balance of R3,42 million (1988: nil).

Actually BTR Dunlop needs the high profits to fund its R110 million capex programme over the next three years, primarily to meet the continuing swing to steel-belted radial tyres in both the car and truck markets, including special high-performance car tyres and the high demand for earth-mover tyres.

Already R31,8 million was spent in 1989.

But Mr Hooper is unhappy that tax depreciation rates were charged again at the end of 1989, "thus adding to business uncertainty in our high-tax environment".

This must be worrying him for the future as BTR Dunlop actually lowered its effective tax rate to 32,15 percent in 1989 (1988: 45,74 percent) thanks to the higher capex allowances.

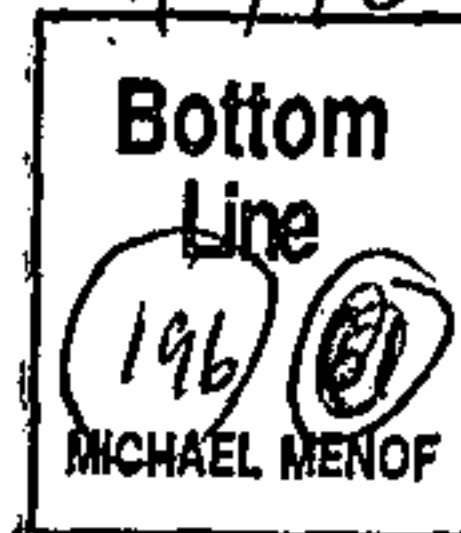
BTR Dunlop is engaged in three fields — engineering and industrial, which produced 49 percent of sales (1988: 45 percent); motor, which made 39 percent of sales (1988: 42 percent); and consumer with 12 percent (1988: 13 percent).

But motor produced 45 percent (1988: 49 percent) of trading profit, with engineering and industrial 43 percent (1988: 41 percent) and consumer the balance, showing the motor division to be on the decline.

The group's objective is to achieve a real growth in sales and profits, in line with the development of the SA economy, says chairman Drury Gnodde.

This will help increase earnings and dividends, while increasing dividend cover to maintain a sound financial base — certainly a wise strategy ensuring that funds are ploughed back for growth, rather than escalating debt with massive dividends merely to keep investors happy.

Star 21/5/90



changed at R4,02 million (1988: R3,72 million), giving pre-tax profits of R106,9 million (1988: R70,3 million).

After deducting tax of R34,4 million (1988: R32,2 million) and the unchanged pref dividend of R90 000, attributable earnings were R72,42 million (1988: R38,07 million) — a massive leap of 90 percent.

Earnings per share were 310c (1988: 165c), with the annual dividend lifted only 33 percent to 140c (1988: 105c).

A new range of steel-belted car tyres was successfully launched during the year and, together with the reorganisation of the tyre business and rationalisation of industrial products manufacturing, helped produce the superb results.

The local tyre industry made little headway, contending as it did with low-priced imports from the Far East.

Demand for mining and industrial products was static, but sales of automotive products increased.

The consumer and engineering divisions had a good year.

Accounting for deferred tax was changed to the partial method in 1989 and 1988's comparative numbers are restated.

Ordinary shareholders' equity totalled R265,7 million (1988: R203 million) at end-December 1989 — the difference being a R43 million increase in non-distributable reserves and profits retained.

Plant, machinery, equipment and vehicles with a book value of R78,9 million (1988: R63,4 million) had an insured value (replacement value, I presume) of R782 million (1988: R630 million) at end-December 1989 — consider a 1 000 percent difference!

Working capital increased to R103 million (1988: R80 million). Net worth per share of R11,37 included R3,14 of help from the non-distributable reserve (predominantly the revaluation of fixed assets), compared with the current JSE price of around R19,25.

A consolidating year is forecast for 1990, with trading profits expected to grow in line with the economy and inflation, says management.

I always question when a group produces such a massive leap in profits whether it is fuelling the country's already high inflation rate.

The bottom line as a percentage of shareholders' funds doubled from 13,7 percent in 1986 to 27,1 percent in 1989 and the cash flow produced — retained profit after dividends plus depreciation — improved from R12 million in 1986 to R54 million in 1989.

In fact, it doubled from the R27 million in 1988.

Small wonder that BTR has the funds to reduce debt and fund capex.

With the number of employees virtually remaining constant over the last four years, I question why some of the high profits made were not used to create new jobs and so demonstrate some social responsibility.

Management's conservative financial policy is well illustrated in the current numbers and trend of the past four years.

Sales totalled R631,8 million (1988: R529,3 million), with trading profit at R110,9 million (1988: R74,1 million).

Cost of financing was virtually un-

## Duty hike hits tyre imports

Own Correspondent

196

DURBAN — Truck and bus operators have been hit hard by an effective 200%-300% increase in duty on new tyre imports. *Friday 22/1/90*

The move by the Board of Trade and Industries follows an application for the increase at the beginning of 1989 by the SA Tyre Manufacturing Conference (SATMC). It is an attempt to protect local manufacturers by preventing the dumping of cheap imported tyres on the local market.

This has aroused wide concern among tyre dealers and retreaders, who say the duty increase might well rule out future imports on certain tyres.

The effect of the increase is that truck tyres now cost R8,60/kg instead of just having a 25% duty tacked on to the price of the imported tyre.

Natal MD of Natyre Ken Case said: "With locally manufactured tyres still in short supply, there is no doubt that this will have an impact on inflation with the price of local truck and bus tyres rising substantially."



## Tyre duty not likely to affect local prices

By Day 116/90 CHARLOTTE MATHEWS 196

THE tyre industry does not believe the increase in import duties on all tyres — of the magnitude of 200%-300% in the case of bus and truck tyres — will make a difference to local prices.

Spokesmen said the new duties were intended to prevent cheap tyres being dumped here and were below the rates applied to most current imports.

SA Tyre Manufacturers' Conference (SATMC) director Michael Waterson explained on Wednesday that with effect from March 23 the Board of Trade and Industry had revised the formula duty on imported tyres; previously established about 10 years ago.

All tyres are liable for either a 25% ad valorem duty or a formula duty, whichever is the greater.

The formula duty, which would only apply in a few cases, has been revised upwards said SATMC chairman and Gentyre MD Clive Tutton.

However, the revision, which in the case of truck tyres appears a big jump to R8,60/kg (less 75% of the FOB value) from R3/kg, would not apply except in the case of "abnormally low priced imports".

According to the BTI report, "certain imported categories such as giant truck tyres are priced at relatively lower levels, thus rendering the local industry uncompetitive", Waterson said.

He showed that the Japanese FOB price for truck tyres was R5,90/kg against the France's R8,88/kg, Italy's R9,35/kg, the UK's R10,05/kg, Spain's R8,88 and Germany's R9,17/kg. "Imports from none of these European countries are affected by the formula duty being above R8,60/kg," he added.

Waterson said the BTI had removed all duties on rear tractor tyres last year and also duty protection on earthmover tyres between 20kg and 1 200kg.

Performance Tyres — which imports Pirelli tyres — MD Steve Thomas felt the SATMC and the government had missed the whole point.

"A very high percentage of cars on SA's roads have smooth tyres," he said. "If the law was enforced properly, the tyre manufacturers, importers and retreaders would all benefit." Government's solution was only a short term one, he argued.

Under the new Traffic Act which comes into operation from today vehicles with worn tyres which have a tread of less than 1mm on the whole width of the tyre will carry a penalty of R2 000 or six months in prison or both.

**BYLAE**

Die regulasies gepubliseer by Goewermentskennisgewing No. R. 1449 van 1 Julie 1983, soos gewysig by Goewermentskennisgewings Nos. R. 96 van 20 Januarie 1984, R. 2055 van 14 September 1984 en R. 1053 van 3 Junie 1988, word hierby verder gewysig deur Tabel 1 daarvan deur die volgende tabel te vervang:

**"TABEL 1**

Doel	Bedrag betaalbaar per aansoek
1	2
A. Aansoek om die registrasie van—	
(a) 'n misstof, veevoedsel of steriliseringsinstallasie .....	R190,00
(b) 'n landboumiddel of veemiddel .....	R380,00
(c) 'n plaagbeheeroperateur .....	R 95,00
B. Aansoek om die hernuwing van die registrasie van—	
(a) 'n misstof, veevoedsel of steriliseringsinstallasie .....	R 95,00
(b) 'n landboumiddel of veemiddel .....	R190,00
(c) 'n plaagbeheeroperateur .....	R 45,00
C. Betaling bykomend tot dié in paragraaf B vermeld, in die geval van 'n laat-aansoek om die hernuwing van die registrasie van—	
(a) 'n misstof, veevoedsel of steriliseringsinstallasie .....	R 50,00
(b) 'n landboumiddel of veemiddel .....	R 95,00
(c) 'n plaagbeheeroperateur .....	R 45,00
D. 'n Appèl ingevolge artikel 6 van die Wet ....	R500,00".

**DEPARTEMENT VAN MANNEKRAG**

No. R. 1201

8 Junie 1990

**LOONWET, 1957**

**INTREKKING VAN LOONVASSTELLING 458.—RUBBER- EN RUBBERPRODUKTENYWERHEID, SEKERE GEBIEDE**

Die Minister van Mannekrag is van voorneme om kragtens artikel 16 van die Loonwet, 1957, Loonvasstelling 458: Rubber- en Rubberproduktenywerheid, Sekere Gebiede, gepubliseer by Goewermentskennisgewing No. R. 434 van 17 Maart 1989, in te trek.

Enige persoon wat kommentaar oor die voorgestelde intrekking wil lewer, moet sodanige kommentaar binne 30 dae vanaf die datum van publikasie hiervan aan die Direkteur-generaal: Mannekrag, Privaatsak X117, Pretoria, 0001, voorlê.

**SCHEDULE**

The regulations published by Government Notice No. R. 1449 of 1 July 1983, as amended by Government Notices Nos. R. 96 of 20 January 1984, R. 2055 of 14 September 1984 and R. 1053 of 3 June 1988, are hereby further amended by the substitution for Table 1 thereof of the following table:

**"TABLE 1**

Purpose	Amount payable per application
1	2
A. Application for the registration of—	
(a) a fertilizer, farm feed or sterilizing plant .....	R190,00
(b) an agricultural remedy or a stock remedy .....	R380,00
(c) a pest control operator .....	R 95,00
B. Application for the renewal of the registration of—	
(a) a fertilizer, farm feed or sterilizing plant .....	R 95,00
(b) an agricultural remedy or a stock remedy .....	R190,00
(c) a pest control operator .....	R 45,00
C. Payment in addition to that specified in paragraph B, in the case of a late application for the renewal of the registration of—	
(a) a fertilizer, farm feed or sterilizing plant .....	R 50,00
(b) an agricultural remedy or a stock remedy .....	R 95,00
(c) a pest control operator .....	R 45,00
D. An appeal in terms of section 6 of the Act ..	R500,00".

**DEPARTMENT OF MANPOWER**

No. R. 1201

8 June 1990

**WAGE ACT, 1957**

**CANCELLATION OF WAGE DETERMINATION 458.—RUBBER AND RUBBER PRODUCTS INDUSTRY, CERTAIN AREAS**

The Minister of Manpower proposes, in terms of section 16 of the Wage Act, 1957, to cancel Wage Determination 458: Rubber and Rubber Products Industry, Certain Areas, published under Government Notice No. R. 434 of 17 March 1989.

Any person who desires to comment on the proposed cancellation should submit such comment within 30 days from the date of publication hereof to the Director-General: Manpower, Private Bag X117, Pretoria, 0001.



## Genlyre in 74% buyout of Aeroquip

CHARLOTTE MATHEWS

GENTYRE has acquired 74% of Aeroquip SA for R1m and the remainder has been bought by senior Aeroquip management from holding company Trinova, the company announced yesterday.

Aeroquip SA is the sole local representative for the US Aeroquip Corporation, which is the world's largest manufacturer of hydraulic hose and fittings.

### Commitment

In terms of the sale the SA company has a 10-year licence, trademark and manufacturing agreement with its US parent. It will trade as Aerotech Hydraulics. *B10m 20/6/90*

"The American company's commitment to SA remains unchanged," a spokesman from Aerotech said. "Customers will find that Aerotech prices, services and deliveries will remain identical to those previously offered by Aeroquip SA."

"If anything, customers may look forward to an even better service thanks to the backing of Genlyre, a major force in the local industrial rubber market."

Genlyre financial director Geoff Sproule said Aerotech would be part of Genlyre's industrial division.



(196) Star 2/6/90

# Major pitfalls on the acquisition trail

Perhaps Fintech and Malbak got off quite lightly. Their problems with Punchline and Quality Tyres respectively has not resulted in the possibility of liquidation.

UK-based, British & Commonwealth (known to SA investors through its former links with Sun International) wasn't quite so lucky.

In September 1988 it acquired Atlantic Computers for \$417 million. Within about seven months of the takeover worrying signs began to filter through to the new owners. Within 18 months of the acquisition B&C announced that it was writing off about \$550million in respect of its investment in Atlantic.

## Written off

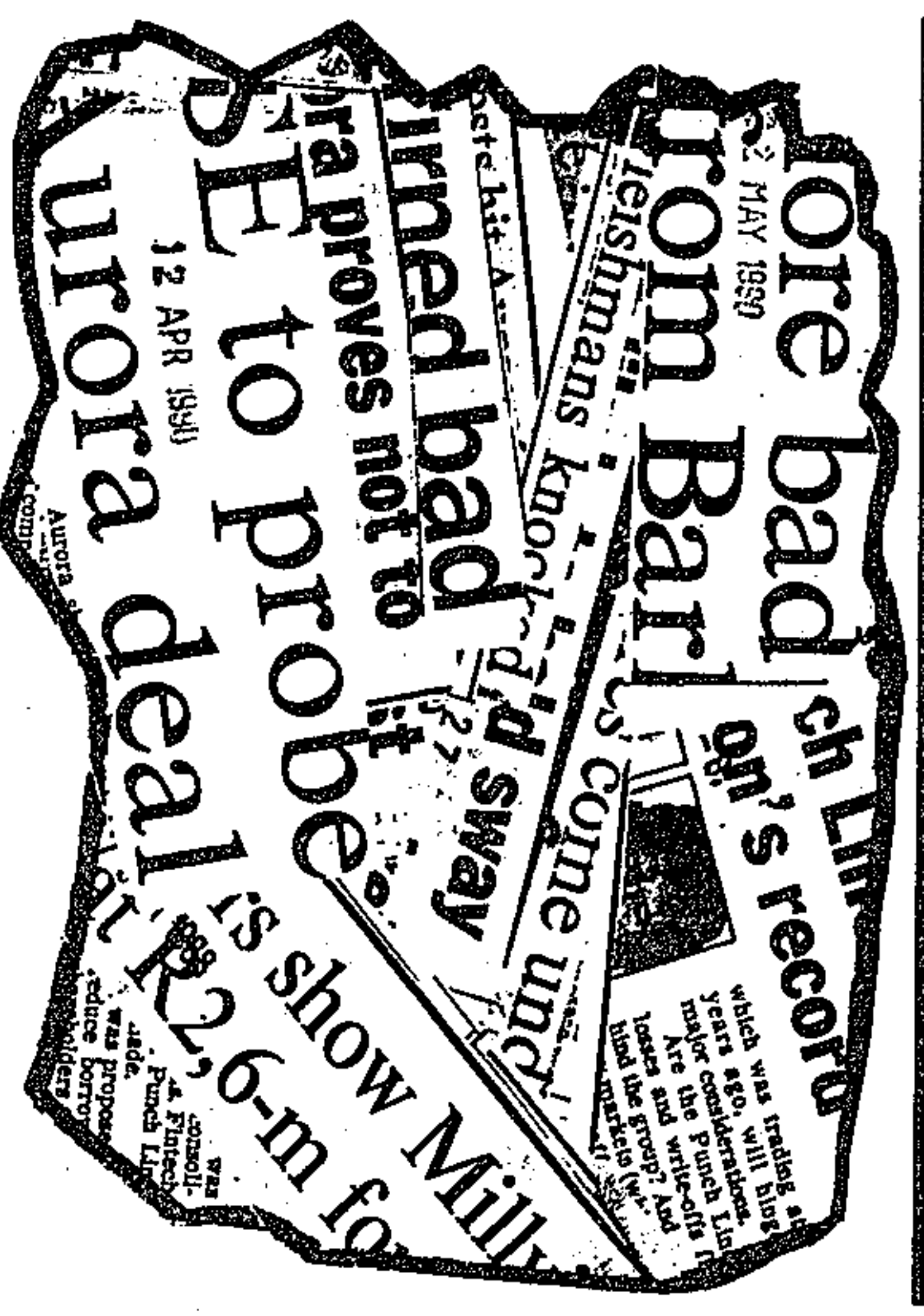
According to recent reports B&C is now under administration and its assets are being sold off. Apart from shareholders other casualties of B&C's acquisition of Atlantic include Barclays and Midland Bank. The former has written off £100 million on loans to B&C and the latter has indicated that it will be making a significant write-off.

The B&C, Fintech and Malbak cases represent fairly extreme examples of a merger or acquisition bombing out. There are plenty of other examples which proved not to be quite what the acquirer thought he was buying.

The list in SA includes: Dan-eich's acquisition of Norton; Basil Read's stake in Aurora Granite; Sparaco's takeover of Fleishman; Malbak's acquisition of UK-based MY Holdings; Barlows acquisition of UK-based Bibby; Under's takeover of Milly's and Prestige Pots; Tollgate Group Holdings acquisition of Arwa and Gants; and Waltons acquisition of Ozalid.

According to Sam O'Leary, a partner at Price Waterhouse, around two-thirds of completed

Using mergers and acquisitions to boost corporate growth has had mixed results. In some cases it has proved disastrous. The element of risk can be substantially reduced if the acquirer first sets out a well considered strategy, reports ANN CROTTY.



mergers and acquisitions are unsuccessful — some seriously so, and others to the extent that they do not meet expectations or realise the potential existing in the deal.

The danger is not only that the acquired company fails to perform, but as Mr O'Leary points out, management devotes its full effort to the merger scenario and takes its eye off its own business which consequently often suffers.

Lack of success is usually due to the buyer not knowing exactly what he has bought and/or not having an appropriate funding or post-acquisition plan.

Although independent advisers do not guarantee success they do help to reduce the risk of failure chiefly because they can proceed through a fairly thorough exercise,

interests.

According to Mr O'Leary an acquisition strategy will define the specific criteria to be applied in searching for and screening acquisition candidates: "This planning exercise gives you a frame of reference to evaluate acquisition candidates. It keeps you from wasting time on acquisitions that cannot be completed and it helps you avoid acquisitions you will later regret."

## Acquisition strategy

In addition, a well thought-out strategy means that you will avoid paying outside advisers to follow through on transactions that stand little chance of success. The important steps in developing an acquisition strategy include:

- Establish an acquisition team with defined responsibilities and authority.
- Outline your company's current operations and identify its strengths and weaknesses.
- Analyse future growth potential and trends within the existing business sectors.
- Analyse your competition.
- Review past acquisitions and internal growth, noting successes and failure and identify the reasons.

From this analysis it will be possible to outline reasons for establishing an acquisition strategy. It may be that the outcome of this procedure is the realisation that acquisitions are not the most cost effective way of achieving the company's goals.

Before the potential buyer begins to look at possible acquisitions, it is important to determine the financial resources available for the acquisition programme.

In addition the buyer must establish a set of criteria to be used in screening and selecting candidates. This will include operating

criteria, financial criteria. There are other criteria such as the sort of price/earnings ratio that the buyer is prepared to pay, the methods of payment and, the possibility of a consequent short-term earnings dilution.

Once a potential candidate has been identified a "due diligence investigation" is necessary. This involves an intensive examination of purchase targets. According to Mr O'Leary: "Due diligence reviews take a long, hard look at target companies to see if they are worth buying and to check for skeletons in the closet."

The due diligence investigations focus on three major areas: the business; financial and accounting information and legal matters.

It is important that there is interaction between these three areas. As Mr O'Leary points out: "The attorney reviewing loan agreements may find that the seller owes the bank outstanding penalties and interest for missed payments. These additional liabilities may not have been recorded in the financial statements presented to the buyer."

## Areas of difficulty

"Although the attorney may protect the buyer against the assumption of this liability through an express warranty or indemnification in the purchase agreement, the violation of the loan agreement may permit the bank to accelerate the due date of the outstanding debt.

"This is crucial information for the accountant since a possible higher interest rate negotiated under a new loan agreement would have a significant impact on the financial projections he is preparing."

According to Mr O'Leary, the financial and accounting "due diligence" will often reveal the following areas of difficulty:

- Overvalued inventory due to unrecorded write-downs or write-offs of slow-moving or obsolete inventory or, failure to count inventory properly.
- Undervalued inventory due to excessive obsolescence reserves or write-downs or the failure to count or correctly value inventory on hand. This situation may be encountered when privately held companies attempt to minimise taxes.
- No recorded liability for re-turnable inventory even though there is a practice of accepting returns several months after the sale.
- Unusual sales recognition policies such as pre-invoicing.
- Unrecorded liabilities such as inadequate reserves for unexpected quality problems for recently introduced products' warranties.
- Inadequate reserves for doubtful accounts, cash and trade discounts, sales returns and allowances.

The "due diligence investigation" will also reveal the extent to which "window dressing" exists in the target company's figures. Such window dressing could stem from delaying current expenditure as well as capital expenditure; accelerating income by pre-invoicing and changing accounting principles.

Mr O'Leary recommends that the buyer reconstructs the seller's income statement by applying the buying company's accounting methods — "This could significantly increase or decrease reported earnings."

As he sees it major reasons for the failure of mergers is that the buyer was overly optimistic or was unable to manage the business successfully. Both reflect a lack of understanding of the business being acquired and, to an extent, a lack of understanding of the acquirer's own resources.



# 13 pc of tyres in use are illegal – industry

By Shirley Woodgate

More than 1,6 million, or about 13 percent, of tyres in daily use on South African roads are illegal and potentially lethal.

According to a tyre industry survey involving 23 000 tyres on vehicles in all income brackets, one out of every eight tyres in use in the country is worn below the minimum legal tread depth of 1 mm.

Under the recently introduced

Road Traffic Act this offence may be penalised by a maximum fine of R2 000 in court or a R30 spot fine.

Experts have said a driver who cannot control his car in wet conditions because of smooth tyres is a risk to other road users, passengers and pedestrians.

Aegis Insurance legal department spokesman Yolanda von Geysso warned that if a vehicle involved in an accident was not

“maintained in a proper (road-worthy) condition,” a claim would be repudiated.

This included smooth tyres, she said.

Deputy director of the National Road Safety Council Eric Wise said the “human element” was the cause of 90 percent of all road collisions, while the vehicle or “surroundings” accounted for 10 percent.

Usually the cause of an accident was not merely an isolated item, but a combination including perhaps, smooth tyres, alcohol and incorrect speed while cornering.

Just as the problem was multifaceted, the solution lay in a multidisciplinary approach: education, enforcement and engineering, he said.

AA general manager (technical) Johan Barkhuizen said his organisation had set up a free pre-holiday advisory and test station at the Gosforth Park toll plaza until July 7 where motorists could obtain information which would include a proper evaluation of their tyres.

## TYRE MANUFACTURING

**Another plea for help**

Just two months ago the tyre manufacturing industry fought for and got an increased duty on imported tyres.

Now it is complaining that the higher duty failed to stop the flow of cheaper imports and it's asking government for more protection.

SA Tyre Manufacturers' Conference chairman Clive Tutton claims imported tyres are still being sold at below cost. Though tyres are among the few commodities for which import permits are still required, he says importers have no difficulty bringing them in through the independent homelands and Swaziland and undercutting local tyre prices.

He puts the fob value of tyres imported in 1988 at R73m. In 1989, he says, the value of imported tyres jumped to R140m. Even more, he predicts, will be imported this year, despite the higher duty.

Gert Fischer, the incoming director of the SA Tyre Manufacturers' Conference, who succeeded Michael Waterson on July 1, says the import duty on truck tyres increased from 25% of their fob value or 300c/kg less 75% of their ad valorem value, whichever is higher, to

860c/kg less 75% of their ad valorem value.

Government has not yet ruled on the request for additional duties. A Board of Trade & Industry official says only that "it's being dealt with."

The transport industry, predictably, disagrees with Tutton's call for more protection. Transport Technical Industries CE Phil Erasmus claims that with the 7,5% import surcharge, the duty on tyres has been increased by 72,5%.

"There was little difference between local tyres and Japanese tyres before the imposition of the new duty," Erasmus says. "We used to import half the tyres we used from Japan, but that's no longer cost effective."

Tyre Dealers' Association chairman Chris Immelman says the increased duty on imports "hasn't made much difference to the cost of a car tyre, but has added R120 to the price of a popular truck tyre selling at R900, which brings it into line with the price of a similar tyre made in SA."

There's no question the industry can't compete with foreign manufacturers on its own. But instead of asking for more protection, it should be tackling the factors that

make it uncompetitive. For example, local tyre manufacturers that keep their factories going 235 days a year can't compete with foreign manufacturers that reduce costs by producing tyres 347 days a year.

However, government is responsible for much of the industry's uncompetitiveness and that's where manufacturers should concentrate their lobbying. For example, local manufacturers face a restriction on the amount of raw material they can buy abroad while foreign manufacturers are free to buy raw materials at the lowest available prices, whatever the source.

Manufacturers are allowed to import natural rubber but must pay a 25% duty. There is no local alternative. Karbochem no longer makes the synthetic replacement for

natural rubber. It does, however, make the other rubber they use. Karbochem charges more for its products than they cost abroad so the 25% import duty — levied because synthetic rubber is regarded as a strategic industry — shields the company from competition.

Karbochem MD Ben Schoeman believes the 25% duty on natural rubber will be phased out soon. He says the company stopped making the synthetic alternative, polyisoprene, at the end of May because it could no longer com-

pete with the cost of imported natural rubber — even with the 25% duty. "When we started the plant 10 years ago natural rubber was selling for US\$970/t," Schoeman says. "The price has since dropped to \$780/t."

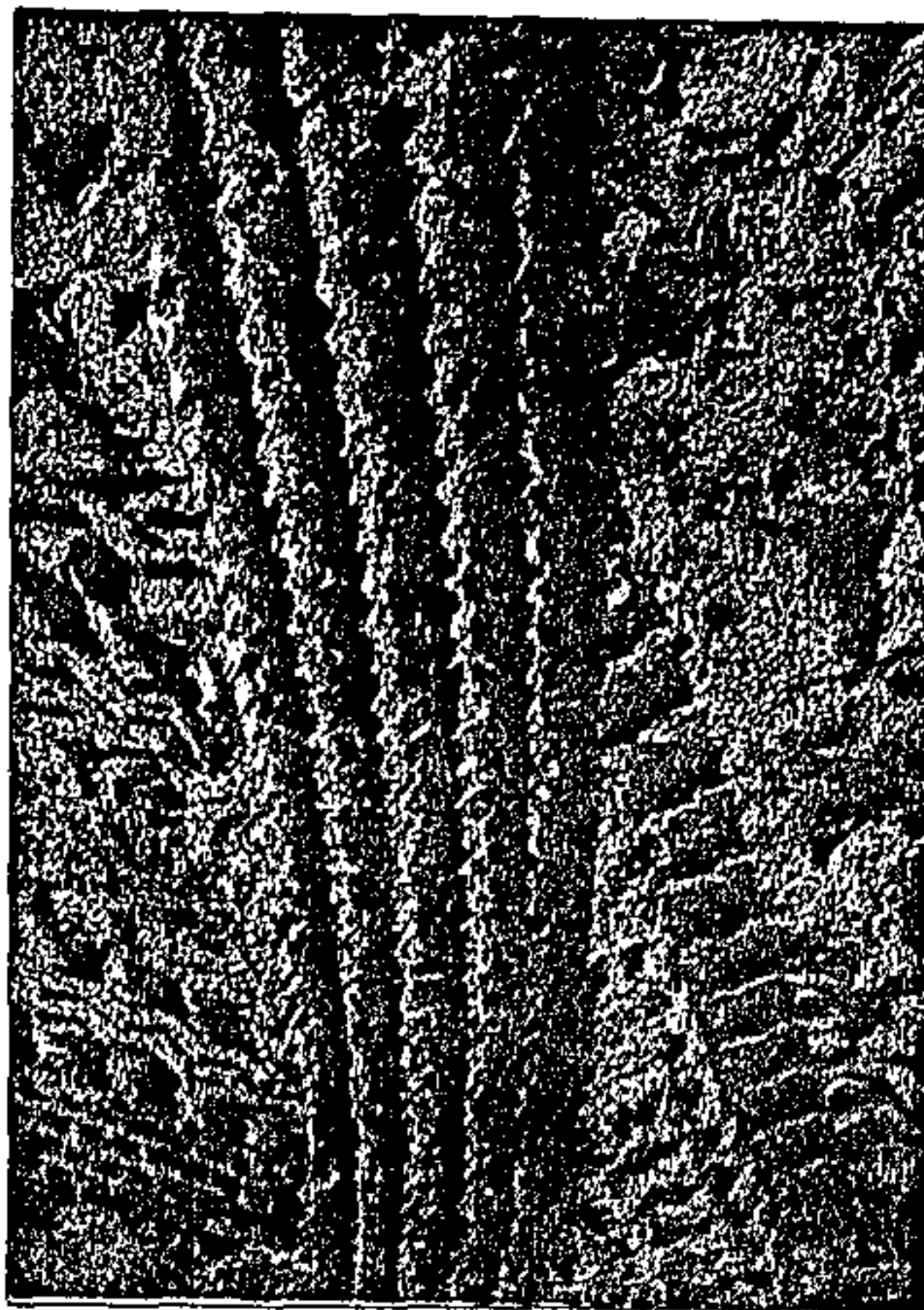
**Competing with imports**

Karbochem's Newcastle plant is still making buthadiene rubber and styrene buthadiene rubber for the tyre industry. Schoeman claims that Karbochem's prices are competitive with international prices for similar types of imported rubber, but concedes that its prices become competitive only after the 25% duty is added to the cost of imports.

He says the high price of locally made tyres can't be blamed on Karbochem; the company has increased its prices by only 20% in two years.

Instead he points to the high cost of transporting the imported raw materials needed to make rubber. Buthadiene has to be transported to SA in gas ships and from Richards Bay to Newcastle in special rail tankers. "The cost of sea freight alone is \$160/t," he adds.

David Pincus



**Imports still leaving tracks  
on local tyre industry**



# Key to regional growth lies in free enterprise report

1981 1977-90

SOUTHERN Africa must adopt free enterprise and develop strong economic co-operation if the region is to be developed to its full potential, according to the Bank of Lisbon's latest economic report.

Market oriented policies and a greater private sector should prevail, especially after post-colonial experiments in socialism and Marxism in many African countries proved to be failures, it said.

The most striking economic successes had occurred where free enterprise had flourished and prices were determined by market forces.

Referring to SA, the report suggested a greater move to private enterprise

NEIL YORKE SMITH

would attract foreign investment and much needed skilled people.

Co-operation between government and business would also facilitate growth, it added.

An example of successful co-operation existed in Botswana where, working with the government, major diamond group De Beers had made large-scale investments resulting in substantial corporate and national benefits, it added.

In SA it was disappointing to hear so many calls for nationalisation when free enterprise was so obviously the best option.

"Such threats of nationalisation come at a time

when the realisation is dawning elsewhere that private enterprise can be a valuable agent in generating economic recovery in African countries."

The failure of socialist economies was reflected in moves by some African governments to privatise parastatal corporations and develop stock exchanges, it added.

The report expressed concern that ideas linking apartheid and capitalism had become so deep rooted that anti-apartheid leaders could not come to terms with the reality of the failure of socialist systems.

It emphasised the importance of convincing leaders of the widespread benefits of free enterprise.

## Tyre sales growth predicted

EDWIN UNDERWOOD

1986

MAJOR growth in steel-belted tyre sales, especially in the commercial vehicles sector, is expected as the public becomes more aware of the benefits of such tyres.

Firestone marketing director Adrian Stanbridge said yesterday the company's sales of steel-belted passenger tyres had risen 80% by 1989 compared to the 1986 base year of 100 indexed units. Sales for fabricated tyres had fallen by 3% after an average rise of 15% for 1987 and 1988.

Tycon public relations manager Mike London said 73.5% of all new cars in SA came out on steel-belted radials and in the replacement market fabric tyres held 39.9% of the market, steel belts 22.7% and light trucks and bakkies 21.6%.

Durable Treds sales manager Dave Sumner said steel-belted tyres constituted 65% of sales.

The average dealer price of an 80 series passenger vehicle steel-belted tyre is R152 and that of a fabric tyre R128. High performance steel-belts cost about R350 each.

# Your dream in the Cape is closer

# Leader Tread set for management buy-out

MANAGEMENT of Leader Tread is to buy out its US holding company's minority shareholding for an undisclosed amount, MD John Sproson said in an interview yesterday.

According to Sproson, Leader Tread and US parent Oliver (Rubber) USA had recently decided not to renew the US parent's licence in SA because of pressure from the parent's pension fund.

As a result of the licence not being renewed, Oliver Rubber Company (SA) had, at the time the management buy-out was being negotiated, changed its name to Leader Tread.

Leader Tread is SA's largest manufacturer and supplier of pre-cured rubber to independent retreaders.

Coupled with the disinvestment, Leader Tread has launched a R4m expansion programme.

This included the installation of sophisticated Italian machinery to double production capacity at its associate company Custom Compounders.

Leader Tread has the largest pre-cured plant in the southern hemisphere with a capacity to process more than 600 tons of rubber a month.

It supplies about 100 independent retreading companies in southern Africa

## EDWIN UNDERWOOD

and has appointed agents in the UK, supplying 24 factories with its products.

Exports constitute about 15% of sales and Sproson said the company was looking to improve its export market, especially in Spain and Portugal.

He said its designs in tyre treads and the market growth of steel-belted tyres gave it scope in the competitive European market.

## 196 Oriented

Sproson said the disinvestment of the parent company would provide new opportunities for Leader Tread, the growth of which had been constrained in the past by US disinvestment policy.

The company was to become more market oriented, he said.

Over the past few months Leader Tread has spent about R2,3m on the acquisition of several additional machines and the modification of older equipment.

This was to cope with the additional output and the revamped factories will be fully operational at the end of July.



# Malbak facing some testing times

in common with so many industrial conglomerates, calendar 1990 has been a tough year for Malbak and the share price performance indicates that investors are not expecting much improvement in the foreseeable future. *St. 2/8/90*

Apart from weakness on the operating front, a number of other factors have impacted negatively on investor perception of the group.

Malbak's venture overseas has been something of a disaster and, far from boosting group income with foreign earnings, it increased the debt burden and required a cash injection from the SA head office earlier this year. Progress on this front is likely to be slow.

The Quality Tyres debacle continues to dog the group's reputation. This is understandable, given that the reputation is in large part a function of head office's ability to identify solid acquisition prospects.

The way in which Quality Tyres' liquidation process was

Diagonal Street  
196  
ANN CROTTY



conducted has also left the market with mixed feelings.

All these factors have combined to bring the share price down from a 12-month high of 900c to a current 660c.

At the beginning of calendar '90 the share was trading at just over 800c.

At its current level it's on an historic P/E rating of five times and a dividend yield of 4,6 percent.

At this sort of P/E level it shares company with the likes of FSI, McPhail, Klippton, Oz and T&N in the industrial holdings sector.

Chairman Grant Thomas says profits for the 12 months to August 1990 are likely to be down by about 10 to 15 percent. This suggests earnings of

around 116c a share, which puts the share on a prospective P/E rating of 5,7 times.

When the financial '89 results were released last October, Mr Thomas said he was looking to increased earnings in financial '90.

At the half-way stage earnings were up four percent and management was talking about a decline in full-year earnings of about 10 percent.

The gradual decline in profit expectations over the year reflects the deterioration in trading conditions.

Two factors are highlighted by the financial '90 results. First, group performance is in large part determined by the pace of economic growth, with little scope for subsidiaries to outperform a weak economy.

Second, Malbak has yet to prove itself to the market.

With regard to the first point, as Frankel Kruger analyst Mike Howth says, Malbak is not sufficiently exposed to growth areas to cushion the

impact of the generally depressed economy.

Mr Thomas refers to a strong performance from Elerlines. But notable areas of weakness include Tedalex and Malbak Motor Holdings.

Even Kanhym's figures, which were expected to show good growth, are now expected to be pedestrian as a result of the slump in red meat prices.

Across the group, high interest rates are taking their toll.

On the second point, since the 1987 decision to make Malbak Gencor's industrial holding group, Malbak's earnings performance has been driven by its pace of acquisition.

Given the extensive cleaning-up and restructuring that has been going on, it has been very difficult for the market to get a feel for how effectively the Malbak team can actually make assets work.

Financial '90 would have been a good year to prove its mettle, but the slump makes reaching a conclusion difficult.

## TYRE FIRMS DISAGREE ON WHO IS KING

EDWIN UNDERWOOD 196

BANDAG (SA) and Leader Tread have called in their lawyers over conflicting claims about who has the largest manufacturing capacity for pre-cured rubber for the retread tyre market.

Bandag MD Nobby Cock said yesterday that Bandag was prepared to "call in qualified independent assessors to determine who SA's largest manufacturer is". B10ay 7/18/90

While Leader Tread claims to be the largest supplier to independent retailers, Bandag says a market survey shows it has 44% of the SA, Swaziland and Namibian markets for retreaded tyres and 51% of the market for pre-cured rubber against Leader Treads' 23% and 28% respectively.

Leader Tread MD John Sproson said Leader Tread supplied about 100 independent retreading companies in southern Africa and had appointed agents in the UK supplying 24 factories with its products. Its export constituted about 15% of sales.

Cock said Bandag had an operational plant capacity of 1 000 tons a month and Bandag International was the largest pre-cure manufacturer in the world on a daily basis, producing about 26 000 retreads a day.

Sproson was quoted previously as saying his firm had a plant capacity of over 600 tons of rubber a month. This, Sproson said, was "merely a figure of speech to indicate the firm's ability to produce large volumes".



# BTR Dun pumps up earnings

870 16/8/90  
By Ann Crotty

196

BTR Dunlop's excellent results for the six months to June are in sharp contrast with recent weak performances in the industrial sector.

Earnings per share were up 35 percent to 162c (120c) and an interim dividend of 60c (50c) has been declared.

The sales increase was a reasonable 16 percent, but bottom-line performance was boosted by a substantial increase in operating margins.

The latest results see a continuation of the stronger trend evident in financial '88 and '89.

The market had expected weakness in the economy to hinder this trend, but it obviously under-estimated the extent of the pent-up demand for tyres

and the level of capacity at which BTR Dunlop operates.

Turnover was up 16 percent to R336,6 million (R290,8 million) and operating profit rose 34 percent to R60,3 million (R45 million), reflecting a strong increase in margins — from 15,5 percent to 17,9 percent.

Financing costs were up to R2,8 million (R2,1 million).

The tax rate was down to 33,7 percent from 34,5 percent. This was due to the allowances applicable to the higher capital expenditure in '89 and which continued to be applicable to the current year.

Attributable profit was up 36 percent to R38,1 million (R28,1 million).

An abbreviated balance sheet shows borrowings shot up to R26,3 million from R5,9 million.

But this still leaves gearing at a minimal nine percent.

This comfortable position reflects the benefits of management's success in de-gearing the balance sheet in the second half of the Eighties.

This year's increase in borrowings is attributed to the higher level of activity, to inflation and to the R40 million capex effected in the year to June 1990.

This capex is part of the three-year R110 million programme. Most of it is being devoted to the tyre factories in Durban and Ladysmith to meet the rising demand for truck, minibus and car tyres.

MD Clive Hooper says that despite tightening trade conditions, real growth is expected.

**Fine results  
from BTR  
Dunlop:**

Monday  
16/8/90 (196)

**EDWIN UNDERWOOD**

**BTR DUNLOP**, manufacturer and marketer of industrial, engineering and car consumer products, has reported an impressive set of interim results with earnings a share rising 35% to 162c a share (120c).

An interim dividend of 60c has been declared, a 20% rise over last year's interim of 50c.

Boosted by a 2,5% rise in profit margins, attributable profit for the six months to end-June increased by 36% to R38m (R28m) on a 16% improvement in turnover to R336,6m (R290,8m).

The tax allowance on R40m capex this year resulted in a further tax saving of R4,4m.

The directors said that while trading conditions would be more difficult during the second half of the year, BTR Dunlop would maintain its growth above the rate of inflation.



# Trencor earnings boosted by export and overseas activity

By Ann Crotty

A sterling performance from export and overseas activities has enabled Trencor to report a 69 percent hike in earnings for the 12 months to June.

Over 50 percent of group earnings now stem from overseas sources.

Earnings per share were 571,7c (337,8c).

A final dividend of 100c a share has been declared, bringing the total to 130c — 94 percent up on the previous year's 67c.

This takes dividend cover down from five to 4,4 times. The lower dividend cover is in line with the reduction in gearing, which is down to 30 percent.

On a 13,7 percent increase in turnover to R784,8 million (R689,7 million), pre-tax income shot up 44 percent to R112 million (R77,7 million).

This reflects the change in contribution from the four divisions — manufacturing, motor trade, trading and transport — with the trading division making a far larger contribution in both absolute and percentage terms.

The change in divisional contribution is reflected in the re-

duced tax rate — down from 30,6 percent to 21,6 percent.

The trading division covers export activities and foreign associates. The former enjoys export incentives and the latter incurs minimal tax rates.

Attributable income was up 69 percent to R81,8 million (R48,4 million).

A break-down shows manufacturing's contribution to pre-tax profit slipped from 39 percent to 30 percent.

## Motor trade

Motor trade (including tyres) was down from 30 percent to 26 percent. Transport's contribution fell from 14 percent to eight percent and trading shot up from 17 percent to 36 percent.

The changes reflect the relatively much stronger performance from the export and overseas activities.

But chairman Neil Jowell says in absolute terms contributions from all divisions were up.

"We had expected a reduction on the domestic front, but it didn't happen. It was only towards the end of June that we noticed much weaker condi-

tions."

Referring to the strength of export activities, Mr Jowell says: "The Government's policy of promoting exports encouraged the Hendred-Freuhauf subsidiary to increase significantly the volume of containers made for export and to introduce new products such as tank containers and components for containers.

"These were well received in foreign markets after initial start-up problems and, with higher volumes, made a major contribution to this year's earnings."

This has encouraged the group to increase capacity, despite the uncertain world economy and reduced prices.

The changing government export strategy is likely to favour the Hendred-Freuhauf manufacturing activity since it involves no import content.

For financial '91 management is expecting a reduction in contribution from domestic activities, but an increased contribution from overseas and exports to the extent that they will account for around 60 percent of earnings.

F/M 24/8/90

Thanks to what management describes as improved operating efficiencies and tight control of overheads, operating profit for the six months rose by 34% on a 16% turnover increase. MD Clive Hooper says turnover was lifted by 3% in real terms, on the back of a tyre replacement market that held up very well and a big back order for conveyer belts for a mine.

(196)

By all appearances, a successful merger was achieved. The question is: how much longer will the group be able to maintain these profitability improvements in the face of slackening demand? Management obviously spent much time and effort in strengthening the operations over the past four years. The group must now be operating close to its

### STEEL BELTED

Six months to	Jun 30 '89	Dec 31 '89	Jun 30 '90
Turnover (Rm) .....	290,8	341,0	336,6
Operating inc (Rm)	45,0	65,9	60,3
Attributable inc (Rm)	28,1	44,4	38,1
Earnings (c) .....	120	190	162
Dividends (c) .....	50	90	60

best efficiency.

Growth prospects must now be more in line with economic activity. Vehicle sales have weakened in the past year and the motor sector remains BTR Dunlop's largest income source after having kicked in 45% of trading profit and 39% of sales last year. Another 41% of trading profit and 49% of sales were from the industrial and engineering sectors. These include the mining industry, which is known to have cut back generally on capital and operating expenditure.

The group has been taking steps to adjust its product range to market developments. It recently embarked on a R110m capex programme to expand capacity to make radial steel tyres for cars and trucks. The group was ungeared at the last balance sheet date but borrowings have been creeping up as the capex programme progresses. At end-June about R40m had been spent while borrowings increased to R26,3m from R5,9m.

Hooper expects trading conditions to be more difficult in the second half but expects the group will maintain both sales and profit growth above the inflation rate. For the full year, this translates into projected turnover of more than R700m and operating profit exceeding R130m.

The share trades at 2 500c and was unaffected by release of the interim results last week.

Gerhard Slabber

BTR DUNLOP F/M 24/8/90

### Firm tread

(196)

Since 1986, when the local operations of BTR and Dunlop were merged, earnings reported by the combined operation have been powered largely by a widening trading margin.

The margin has increased from 10,1% in that year to 17,6% in 1989, and the trend continued in the first half of the 1990 year.



# BTR DUNLOP a happy pair

S/Times 26/8/90

196

BTR DUNLOP has followed a textbook path after a near-perfect merger of the two companies in 1986.

Managing director Clive Hooper shed some light this week on one of the most secret industries in SA — tyres. It seems ironic that tyre companies have high public profiles through advertising, but divulging of market share and absolute profitability is taboo.

Only 39% of sales by BTR Dunlop are in the motor sector. A total of 49% is in industrials and 12% is made up of consumers. The smallest division gives 12% of trading profit, and motor 45%.

Tyres for passenger vehicles make up 38% of the market, for trucks 30% and light commercials 16%. Earthmovers take 10%, tractors 2% and aircraft 1%. The replacement market is three times the size of original equipment supply. Mr Hooper forecasts a rise in replacements in the next three years.

For this reason, car sales are not an indicator of Dunlop's tyre fortunes. The ratio of replacements to original equipment for cars is 2.5 to one, for light delivery vehicles two to one, and for trucks six to one. He esti-



mates there are 5-million vehicles on SA roads.

The swing from textile to steel-belt tyres is killing the retread market. They last longer and handle better than textiles, and cannot usually be retreaded more than once.

He estimates that three-quarters of the R2-billion-a-year tyre market is in original equipment and replacements, the balance in retreads.

## Duty

Mr Hooper criticises the ad valorem duty on imported tyres, showing that the net protection to SA manufacturers is only 12%. The lifting of duty on rubber imports could lower the manufacturing price by a few percent. Japanese can land tyres at

Sales from its consumer and engineering division are divided into consumer, engineering and automotive. There are six parts, each chipping in evenly. Golf and tennis balls are the most visible, and are exported.

Financial director Harrie Kemp gave the group's returns in percentage terms. In a nutshell, earnings have doubled every four years for 20 years.

The dividend has never been cut in that time, and earnings dipped in only three years.

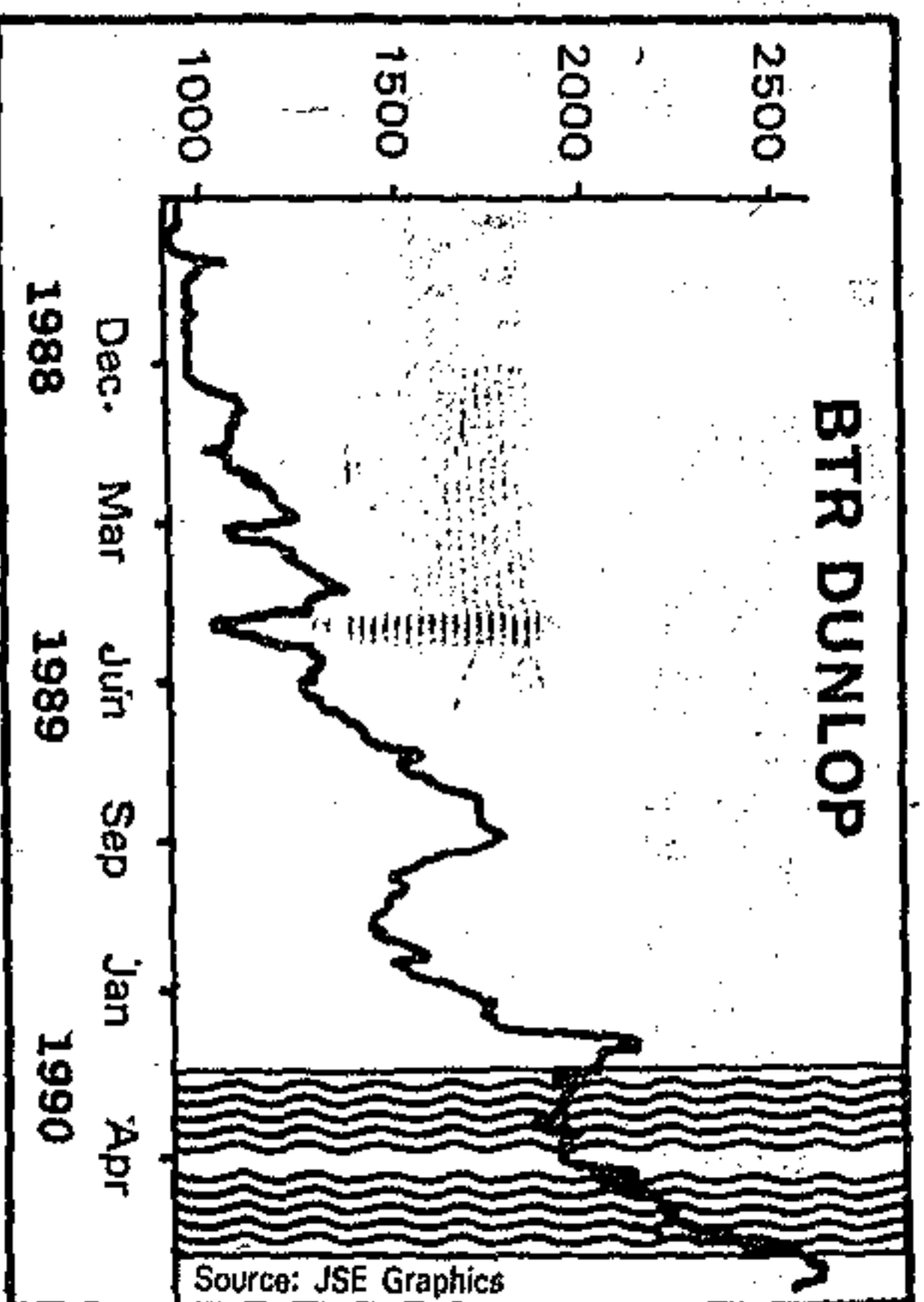
Productivity has improved every year since the merger, and the cost-price gap has opened up to R47-million a year.

## Capex

Working capital has been reduced from 28.8% of sales in 1985 to 19.7% in the latest year. That is worth R58-million today, and saved the company R12-million in interest.

The group's capital expenditure of R110-million will be spread over three years. In 1989, R31-million was spent, mainly on plant replacement in the tyre factories to cater for higher steel radial production.

Most of the group's capital assets were installed while the preferential 50%-30%-



Source: JSE Graphics

20% tax write-offs were in place, but Mr Kemp says that after the latest changes, only 77c of every rand spent on capital goods is allowed — it used to be 103c.

Perhaps for these reasons BTR Dunlop is confident that company tax will be cut from 50% to 45%. Its own tax bill will rise by 2% or 3% a year from the current 34%.

The overall impression of the BTR Dunlop group is of supreme efficiency and every effort to curb costs and wastage.

The shares are not highly tradeable, but the price has risen without a hitch to the current high. Management is optimistic about prospects, and investors can feel the same way.

# New tyre businesses help put bounce into Consol

B/Dam 30/8/90

196

CONSOL's attributable earnings jumped 48% in the year to end-June, benefiting from the absorption of its new tyre businesses and a change in its accounting policy.

Attributable profits reached R101m (R68,3m) or earnings of 157,7c (106,9c restated) a share. A total dividend of 45c (33c) a share has been declared, up 36% and covered 3,5 (3,2) times.

However, had Consol not changed its accounting method for deferred tax to the partial method, earnings would have been 128,4c (102,3c) a share.

The group's results include those of Tycon, formerly Goodyear, for the full year and those of Tredcor, the tyre retreader and retail distributor which merged its operations with Tycon in January, for six months.

Consol's turnover, boosted by these additions, jumped 111% to R1,6bn (R738m), while operating profit improved 74% to R210,3m (R120,8m).

Group MD Piet Neethling says the packaging operation's turnover increased 10% and its operating profit rose 16% to R140,3m.

Glass packaging benefited from satisfactory consumption growth in the beer and softdrink markets, although wine and spirits disappointed.

The paper packaging division found the corrugated box market soft. The plastics division reported no market growth in rigid plastics and a

ZILLA EFRAT

highly competitive flexible plastics market.

Two flexible plastics divisions, industrial flexible plastics (formerly Gundle) and the woven polypropylene bags and sacks operation, were sold because of persistent unsatisfactory returns, says Neethling.

The rubber sector contributed R742m to turnover and R70m to operating profits. However, Tycon's manufacturing performance was adversely affected by a prolonged strike and a go-slow resulting from labour force disinvestment demands.

Neethling says the unsettled labour situation, which persisted until the December shutdown, had an adverse effect on turnover and market share.

However, the situation has stabilised since January and market share should be fully restored in the current

year, he says.

Tredcor reported marginal growth in the replacement tyre market, but benefited from contributions from additional outlets and improved demand for retreading. A small sales volume increase and good cost controls resulted in satisfactory profit.

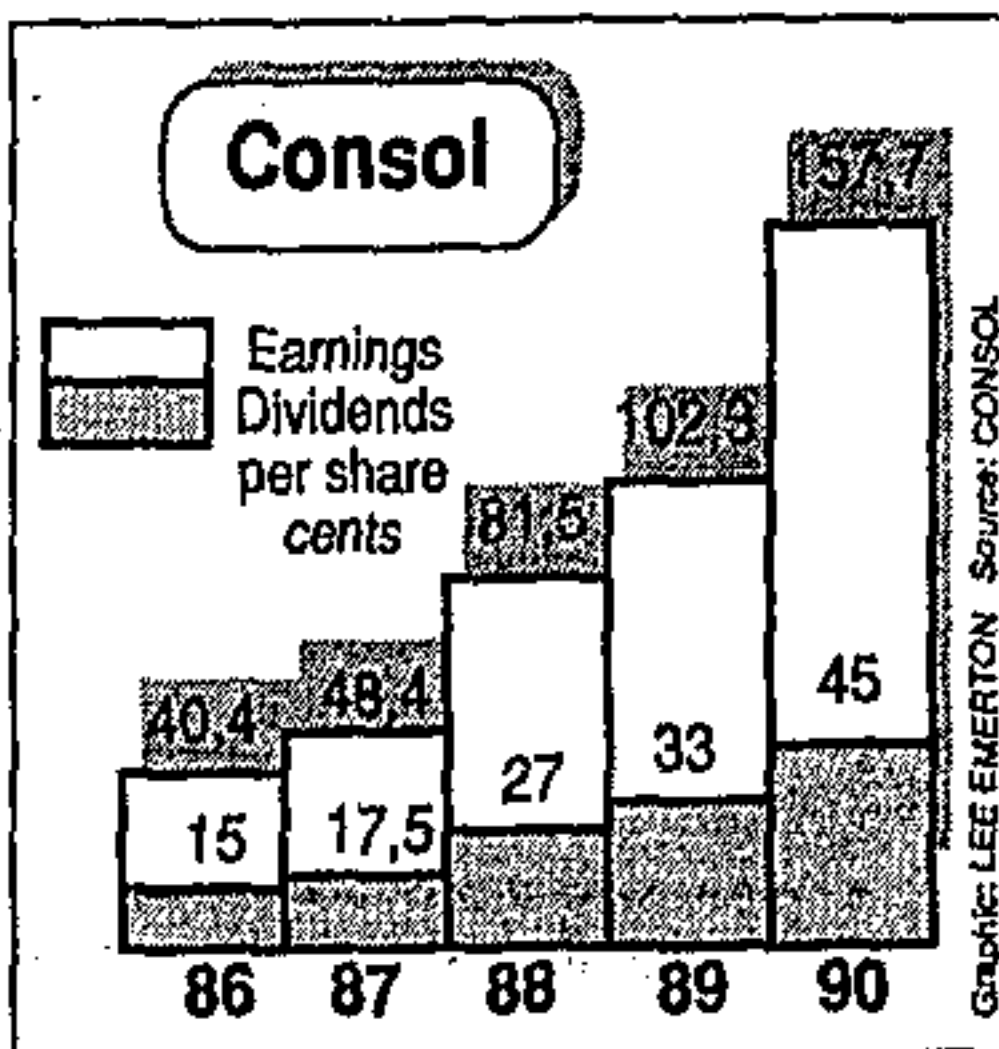
Neethling says operating margins in the packaging operations improved to 17,2% (16,4%), boosted by the sale of the two plastic businesses and productivity improvements in other operations.

Margins in the rubber operations, at 9,4%, were affected by industrial action at Tycon and traditionally low margins in Tredcor's business.

Consol's interest bill jumped to R23m because of increased borrowings to fund the new glass furnace at the Clayville factory and other replacement and improvement capital expenditure.

Neethling says while the current year will be influenced by persistent recessionary economic conditions, high interest rates and political uncertainty, Consol still anticipates earnings growth.

This is because of the expected rise in demand for beer and softdrink bottles, a full year's benefit from the new Clayville glass furnace, the trend to steel radial tyres, the planned enlargement of steel radial tyre capacity and a full year of earnings from Tredcor.





# Longmile puts on a spurt

Star 5/9/90

By Ann Crotty

1990

Longmile has reported a 21 percent hike in earnings to 48,3c (40c) a share for the 12 months to June.

A final dividend of 9,1c a share has been declared, bringing the total to 12,1c (10c) a share.

The earnings increase was achieved on a two percent rise in turnover to R402 million (R393,7 million), with operating income up 25 percent to R44,2 million (R35,4 million), which means a hike in margins from nine to 11 percent.

Interest payments were up R11,3 million (R9,3 million) and the tax rate rose from 20,8 to 25,7 percent, leaving taxed income showing a 19 percent advance to R24,4 million (R20,6 million).

Attributable profit was up 21 percent to R24 million (R19,9 million).

The balance sheet shows a

sharp increase in working capital — more than tripling to R12,2 million from R4,3 million.

No information is provided, but the hike may partly reflect the increased investment in the clothing division.

Long-term liabilities are up from R9,6 million to R13,9 million.

Referring to this, management says: "Greater detail will be provided when the annual report is published at the end of the month."

But it says that in view of the strong balance sheet, the increase does not "signal a pressure point".

Longmile has four divisions: tyres, silencers, fasteners and clothing.

With effect from January '90 its tyre interest (50 percent of Tredcor) was converted into an 18 percent stake in a group formed through the merger of

Tycon and Tredcor.

The directors say the merger with Tycon has "proceeded well and made a satisfactory contribution to earnings". No specific details are given.

In a circular sent to shareholders last March it was noted that if the Tycon/Tredcor deal had been in effect for the 12 months to June 1989, Longmile's earnings would have increased 5,2 percent.

Longmile treats the Tycon/Tredcor operation as an associate.

Consol, which is the major shareholder in Tycon/Tredcor, last week reported that the operation had earned an operating profit of R70 million in the 12 months to June 1990.

On yesterday's trading price of 180c, the latest results put Longmile on a P/E rating of 3,7 times and a dividend yield of 6,7 percent.

# R12m rubber goods plant

ST Times 9/9/90  
Business Times Reporter

THE FOUNDER of South Africa's biggest private hospital group, Barney Hurwitz, is backing a R12-million plant to make disposable surgical gloves and condoms.

The Aids scare has boosted the use of both products — many doctors and dentists wear two pairs of gloves as a precaution against infection.

Mr Hurwitz, executive chairman of listed Clinic Holdings, has been joined in

the Latex Surgical Products venture by international latex technologist and chemist Andrew Marsalo, who is chief executive of the new company, and Simon Lipschitz, who has marketed latex products around the world for 17 years.

Mr Lipschitz estimates the market for surgical gloves at 14-million pairs a year — and growing.

"We hope to get a big slice of the market and we believe we can get major orders

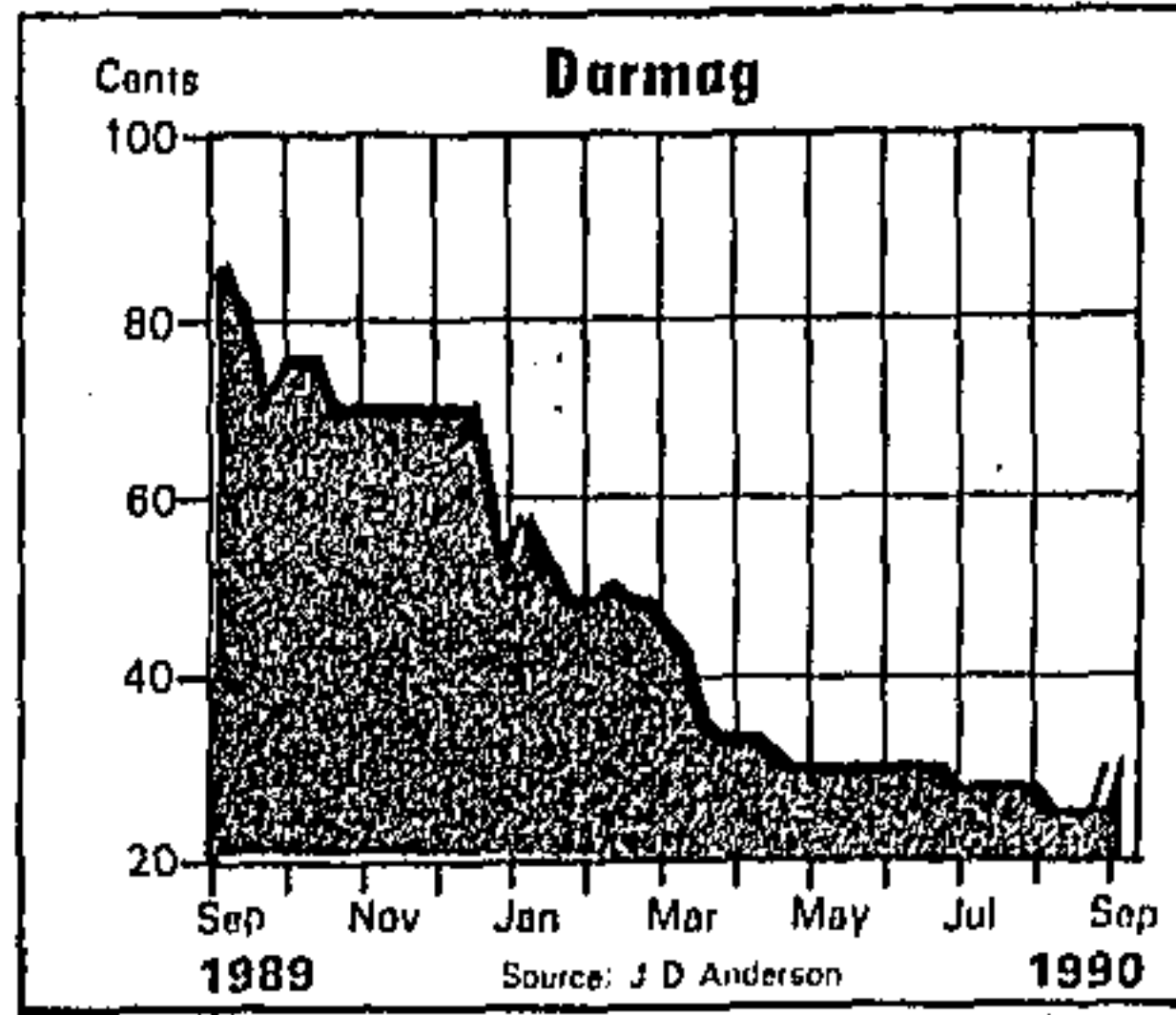
from Europe," says Mr Lipschitz.

Latex Surgical Products has strong links with private hospitals through Clinic Holdings, but it will also bid for State tenders.

Mr Lipschitz says: "The market has been plagued by shortages and some gloves imported from the Far East have not been up to standard.

"The key to the latex rubber business is technology — and we are fortunate to be in the forefront."





(196)

Chairman Des Buchanan says greater pressure on the rubber and separator divisions is expected.

Longer term, prospects will depend on the group's ability to adapt to market changes and to develop a product range for a wider market.

The share price is now well below the net worth of 42.4c but the profit and dividend outlook remains uncertain. *Gerhard Slabber*

DARMAG F1M 14/9/90

**CHANGE OF VIEW**

(196)

**Activities:** Manufactures plastics, rubber and engineering products, primarily for the automotive and mining sectors, and sanitary ware.

**Control:** Directors 57,5%.

**Chairman:** D A Buchanan; MD: R M Dersley.

**Capital structure:** 22,2m ords. Market capitalisation: R7,3m.

**Share market:** Price: 35c. Yields: 8,7% on-earnings; p:e ratio, 11,6 12-month high, 90c; low, 25c. Trading volume last quarter, 259 000 shares.

Year to Mar 31	'88	'89	*'90
ST debt (Rm)	1,0	0,6	3,8
LT debt (Rm)	2,4	2,3	2,7
Debt:equity ratio	0,34	0,33	0,69
Shareholders' interest	0,44	0,5	0,5
Int & leasing cover	7,9	7,0	1,3
Return on cap (%)	20,1	21,8	7,5
Turnover (Rm)	18,9	23,8	26,4
Pre-int profit (Rm)	3,1	4,0	1,5
Pre-int margin (%)	16,6	16,8	5,6
Earnings (c)	11,6	11,1	3,03
Dividends (c)	2	5,3	—
Net worth (c)	32,3	39,1	42,4

\* 13 month period.

**Solid growth** in turnover and EPS posted a year ago by Ciskeian rubber and plastics producer Darmag persuaded the board to lift the dividend by 167%.

CE Monty Dersley believed then that new technology, enlarged capacity, improved efficiency and a low tax base would enable the group to maintain the growth trend. He notes, however, the shift towards use of plastic materials curbed demand for rubber products. Other products were being developed to take up capacity in this division.

Within a year, the rubber division was running at a loss because of product obsolescence and substitution of new products. The division contributed to the 75% tumble in EPS in the 1990 year when the dividend was passed. Why the board should have misread prospects so badly is unclear. The share price has now slumped to 25c from the 12-month high of 90c.

Management has been hoping for an upturn in the battery industry, the group's major market, which would result in improved trading for the plastic division.

# Gentyre earnings rocket by 61%

BIDAY 12/9/90

196

**GENTYRE** Industries kept up a spanking pace in the six months to June, with the result that earnings rose by 61% and shareholders have been rewarded with a 72% rise in the interim dividend.

Not only did the group smoothly roll out more tyres and industrial rubber products, but good management of working capital paid off in a handsome interest income.

In addition, the low level of tax, which will continue for some years, boosted the bottom line.

Chairman Terry Rolfe predicts that, given no further deterioration in the economy, and stable operating conditions, Gentyre's year-end earnings growth will outstrip the inflation rate.

Gentyre's interim results prove it to be a gem in the FSI stable (Hunts has a 67% stake in the company) and Rolfe's prediction might well be too modest judging by the figures released today.

Attributable taxed profit soared by 61% to R25,3m from the previous comparable half-year's R15,7m, translating into earnings of 163c a share (101c a share). The interim dividend has been lifted to 55c (32c).

Turnover rose by 14% to R243,2m (R213,8m) while operating profit rose in line to over R31m (R27,3m). Rolfe comments that demand for Gentyre's tyres and industrial products held up well despite the general decline in the economy.

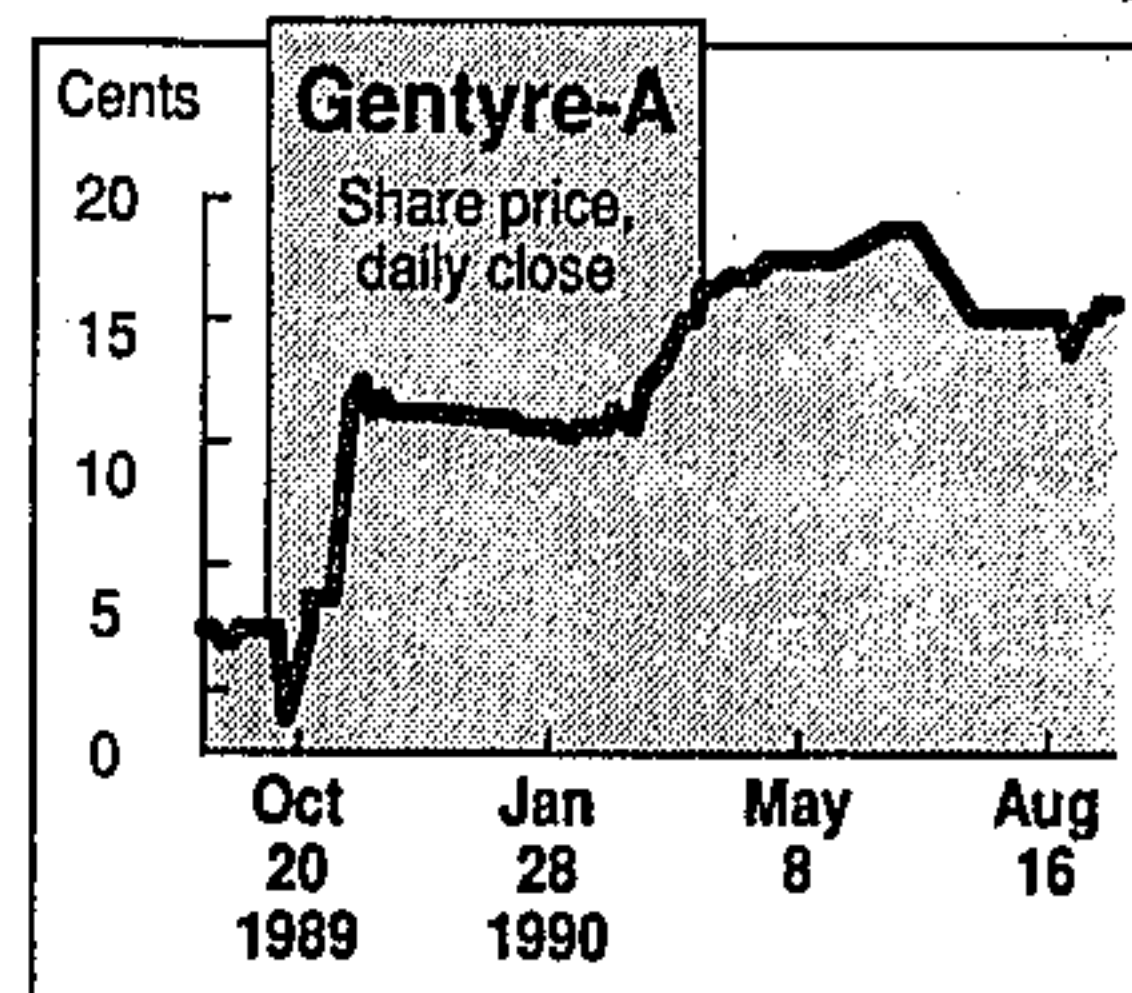
More freely available imports had their impact and the operating margin was held at 12,7% (12,8%).

The emphasis placed on the management of working capital enabled the group to maintain a high level of liquidity, giving

LIZ ROUSE

rise to an increase in interest income from R754 000 to R3m for the six months, lifting pretax profit by 21% to R34m (R28m), says Rolfe.

The effective tax rate declined to 25% from 44%, thanks to allowances arising from the 1989 restructure and, to a lesser extent, export incentives. No significant change in the tax rate is foreseen for some years.



Graphic: FIONA KRISCH Source: JSE

In the past six months Gentyre made three strategic investments (including Aeroquip SA, which makes hydraulic hose and fittings, and Total Metbond Components).

Rolfe says these acquisitions will result in greater penetration of profit potential for hydraulic hose and fittings; expansion of the group's operation in recycling of scrap tyres to produce rubber crumb, and expansion into the manufacture and distribution of high-technology rubber and rubber-to-metal bonded products, largely for the automotive industry.



# TIGER RIDES FAST

By DON ROBERTSON

TIGER WHEELS has ridden out a slump in the spare parts and accessory industry with a 17% increase in taxed profits for the year to June.

Reflecting its resilience to downturns in motors, Tiger lifted turnover by 26% to R51,7-million from R41,1-million in the previous year. Attributable earnings rose to R3,4-million from R2,9-million.

Chairman and chief executive Eddie Keizan says the reasons were reduced margins in the second half of the year, temporary labour problems at the Babelegi wheel factory and start-up costs of three Tiger Wheel & Tyre outlets.

Because of the increase in the issued share capital caused by an incentive scheme and the issue of bonus shares in lieu of dividend last year, earnings were marginally higher at 12,2c a share (11,3c).

The annual dividend has



EDDIE KEIZAN

SI Times 23/9/90  
been maintained at 4,5c, but shareholders may opt for bonus shares instead. They will be issued in the ratio of seven new shares for every 100 held. The issue puts a price on the new shares at almost 55c, the current price.

Mr Keizan says all divisions have potential for growth, but political and eco-

nomie circumstances in SA and the world suggest a conservative approach.

Developments in the retail division look extremely encouraging. Its growth outpaced the rest of the group, including the wholesale division. The branch opened in Pretoria in March broke even in May and is now profitable.

Branches are to be opened soon in Cape Town and Sandton. A second franchised outlet is due for the West Rand.

The company has 15 franchised and owned stores.

The Babelegi factory is to be expanded and production aimed mainly at the export market. The company exports to seven countries.

## Yields

196

The sharp rise in borrowings from R1,7-million to R5,9-million at the end of the year related mainly to expansion.

Most borrowings, however, were from the Industrial Development Corporation, which offers a 5% export loan programme. As a result, the interest charge was slightly higher at R658 000 (R435 000).

In spite of higher borrowings, interest-bearing debt remains at 48%, strengthening the balance sheet to the extent that the net asset value has risen from 33,7c a share to 41,8c.

At 55c, Tiger Wheels offers a dividend yield of 8,2% and a price earnings ratio of 4,5. Competitors such as Midas have a yield of 5% and offer price earnings of 6,6. Autoquip offers 8,3% and 4,6 respectively.

## Tiger Wheels ups earnings to shareholders by 17%

TYRE and wheel group Tiger Wheels increased earnings attributable to shareholders by 17% to R3,4m (R2,9m) for the year ended June.

The increase came on the back of a 26% rise in turnover which reached R51,7m (R41,2m).

But a combination of reduced margins, start-up costs of new stores and the poor performance of the Babelegi wheel factory prevented the turnover increase from being carried through to the bottom line, CE Eddie Keizan said. *Bloan 24/9/90*

Keizan said the group's manufacturing division performed below budget. "This was due, in part to a politically motivated two-week stayaway in the Babe-

196

NEIL YORKE SMITH

legi factory."

Also, start-up costs of three outlets at Port Elizabeth, Boksburg and Pretoria were carried during the year, along with extensive development expenditure on manufacturing operations, he added.

Because of the increased number of shares that followed the issue of Employee Incentive Trust shares and last year's issue of bonus shares in lieu of dividends, the earnings increase at per share level was 8%, he added. Earnings a share increased to 12,2c (11,3c) and an unchanged dividend of 4,5c a share was declared. This was covered 2,8 times.



# UK brokers give buy signal on Gencor

Sta: 14/11/90  
196

London brokers Laing and Cruikshank recommend purchases of Gencor even though earnings are expected to decline in the coming year.

Analyst Roger Chaplin believes shareholders might benefit from unbundling of the group's assets.

"They should buy the shares when the market is weak," he says.

Similarly to the UK tobacco company BAT, Gencor aims at realising the full value of its interests and is considering the best way to unbundle its divisions.

Gencor has five operating divisions — Genmin, Sappi, Malbak, Engen and Genbel. Each has its own separate strong management and can stand alone, says Chaplin.

Foreign exchange dealing and insurance and some other group functions are centralised but they could receive contract payments from each division.

Of the five divisions, all but Genmin are listed on the exchange.

Laing and Cruikshank believes Genmin should become a listed holding company of the mines.

A decision is likely next February and speculation about the unbundling might boost the shares in the next few months.

Chaplin says Gencor is an ideal vehicle for the foreign investor. Over the past five years, Gencor's net asset value has grown at an annual average rate of 16,5 percent, while the share price has increased by an average of 25 percent each year.

**Diagonal Street**

**NEIL BEHRMANN**

In the same period, Gencor's earnings have risen by 16,4 percent a year, while dividends increased at an annual average of 11,4 percent.

In the year to August 1990 earnings a share rose from 106c to 123c, while dividends jumped nearly 18 percent to 40c.

At around R8,50 a share, Gencor's price-earnings ratio is only seven, while the dividend yield of 4,7 percent is well above the mining sector average.

These returns are even more attractive for the foreign investor who can buy Gencor on a PE of less than five through the financial rand market, says Laing and Cruikshank.

The discount to net asset value has narrowed from 46 percent to 23 percent.

Gencor is likely to encounter a "tight year," cautions Laing and Cruikshank.

Metal prices are expected to weaken in dollar terms, while the rand is likely to remain relatively strong because of the Reserve Bank's tight monetary policy. Cost inflation could be "well into double figures."

Laing and Cruikshank expects Gengold, Impala Platinum, Trans Natal, Sappi and Malbak to maintain their level of earnings, but Samancor will be hit by a downturn in demand for manganese.

...edges that the lower stock market played a part in the portfolio's uncharacteristic decline.

"Ever since the Persian Gulf crisis started, invest-

... Calitz does not believe there will be a unitary rand in any hurry, suggesting potential for the firrand to weaken again and for affected shares to receive a small boost.

... conditions of today.

Falling shocks from the Persian Gulf, Mr Calitz does not expect the stock market to decline much further. He believes resolution of the gulf crisis and the easing of tight mone-

## Tiger Wheels rolls faster

TIGER WHEELS is set for further growth in the current year after increasing its retail effort and doubled production capacity at its wheel factory in Bahalegi, north of Pretoria. *S Times 25/11/90*

In the year to June, exports grew for the fourth consecutive year. Tiger's alloy wheels are sold in seven countries in the main regions of the world.

Chairman and chief executive Eddie Keizan says most divisions are budgeting

for increased earnings, although he is aware that rising fuel prices could depress the motor industry worldwide. (196)

Tiger Wheels intends to open three company-owned stores this year. The company owns six stores and supplies seven franchised ones.

In the past year, turnover rose by 26% to R52-million and attributable profit by 17% to R3,4-million.



# Tiger Wheels becomes a roaring success story

TYRE and wheel group Tiger Wheels has shown significant export growth for the fourth consecutive year, with the group's wheels being sold on a regular basis in Western Europe, North America and South-East Asia, chairman Eddie Keizan said in the latest annual report.

Tiger Wheels has also doubled potential wheel production at its Babalegi factory, where capital expenditure for the two years 1989-1991 will amount to almost R5m.

Overcoming a slump in the spare

B/Bay 22/11/90

MARC HASENFUSS

parts and accessory industry, the group posted a 17% increase in attributable profits to R3,4m (R2,9m) on the back of a 26% boost in turnover R51,7m (R41,2m).

Keizan said the group's retail division expanded with the addition of three company-owned Tiger Wheel & Tyre retail stores in Port Elizabeth, Boksburg and Pretoria.

The company now has a nation-

wide network of six of its own stores and seven franchised stores.

"The key focus of the year has been the growth of the retail activities as well as growth in both capacity and capability of the Babalegi wheel factory."

Keizan reported that the offshore tyre and wheel business in which the group has an investment achieved meaningful sales growth in tough markets. Despite a small loss situation for the year, it would contribute to the bottom line in due course.

196

# Rubber hopes

By DON ROBERTSON

that this rubber will be ideal for SA use and export. "It is so versatile that it

could replace virtually any other butadiene rubber used in tyre manufacturing."

KARBOCHEM, a Sentrachem subsidiary, is investigating the manufacture of an advanced form of butadiene rubber at its under-used Newcastle plant.

In the past, this quality of butadiene rubber, made in only two other countries, has been imported.

Part of the plant will be modified at a cost of between R10-million and R15-million in the second quarter of next year and production could start early in 1992.

When in full production three years later, about 20 000 tons of rubber will be available for export. It could earn about R80-million at today's prices, says managing director Ben Schoeman.

Production will be about 36 000 tons of which about 12 000 will be used in SA.

The Newcastle plant has not been fully used since polyisoprene rubber production was stopped this year. Production was ended because of a sharp drop in the price of natural rubber, which the synthetic polyisoprene rubber replaces. SA synthetic rubber prices were based on natural rubber and this section of the plant became unprofitable.

Tyre manufacturers have tested the technical specifications of the product and have indicated that they will support it if pricing is competitive. It can also be used in the manufacture of industrial rubber products.

Mr Schoeman says: "Tests in Europe have convinced us

## The rand's world value

	R1 equals		One foreign unit equals (R)	
	7 /12/90	7 /12/89	7 /12/90	7 /12/89
US \$	0,3977	0,3871	2,5148	2,5833
UK £	0,2051	0,2458	4,8782	4,0887
Deutschemark	0,5921	0,6828	1,6889	1,4649
Japanese yen	52,64	55,79	0,0189	0,0179
Swiss franc	0,5057	0,6148	1,9775	1,6265
French franc	2,0094	2,3336	0,4977	0,4285
Canadian \$	0,4621	0,4499	2,1840	2,2227
Italian lira	446,32	503,45	0,0022	0,0019
Zimbabwean \$	1,0268	0,8768	0,9739	1,1405
Australian \$	0,5156	0,4941	1,9361	2,0239

Trade weighted value of rand, % change against 1974 base ..39,65

## Domestic interest rates

MONEY MARKET			
	Friday 7 /12/90	Friday 30/11/90	Friday 23/11/90
	%	%	%
SARB accommodation: rediscount rate TBs	18,00	18,00	18,00
Treasury bill tender rate	17,41	17,50	17,59
Basic call of discount houses	17,79	18,25	18,00
Three-month banker acceptances	17,80	17,90	17,90
Three-month NCDs	18,40	18,65	18,75
Three-year RSA stock	18,30	18,34	18,45
Prime overdraft rate	21,00	21,00	21,00
All-in yield of finest acceptance credits	18,84	18,85	18,95

CAPITAL MARKET		
SECONDARY MARKET	RATES ON MOST TRADED STOCKS	
	Average Previous Month	As on Friday
Long-term RSA stocks	16,45	16,05
Long-term Escom stocks	16,21	15,88

## Best sections this week

	Av % Mv	Av D/Y	Av E/Y
Tobacco and Match	6,5+	4,8	11,1
Venture Capital	5,4+	0,0	1,1
Banks and Fin Serv	4,8+	7,7	18,0
Steel and Allied	4,6+	6,7	19,9
Insurance	4,3+	6,0	12,5

## Overall market this week

Ch.	V.
125+	23
100+	14
450+	51
180+	130
5+	209
2+	212

AL	V.
5+	4
9-	13
1-	33
5-	28
15+	6
81	

SH.	V.
500+	4
1-	119
2+	
10+	19
5+	12
5+	42
25-	4
11	

SLRS	V.
25+	2
75+	201
17+	5281
5+	6
5+	3
10+	1



# Wayne heading for another good year

Star 20/12/90 (196)

## Diagonal Street

LYNNE PEACH

Rubber component manufacturer Wayne Manufacturing (formerly Phoenix Rubber) performed well above expectations in the past year and should achieve attractive earnings growth in the current year.

A highlight in financial 1990 was the acquisition by Phoenix Rubber of Wayne's assets from listed parent Conshu and the subsequent change of name of the group from Phoenix Rubber to Wayne Manufacturing.

In the latest annual report, chairman Robert Feinblum says the acquisition has proved to be worthwhile despite the fact that the expected synergies are taking longer to achieve than originally anticipated.

Mr Feinblum is extremely optimistic about the year ahead.

He says the focus will be on core businesses and the group is well placed to aggressively expand its product ranges.

Wayne Manufacturing, 85 per cent owned by Conshu, is a specialist manufacturer of rubber and PVC moulded and extruded products for the agricultural, building, footwear, mining and motor industries.

In the year to June, group turnover grew more than five-fold from R21,4 million to R110,6 million.

Despite a sharp rise in net interest expense from less than R300 000 to R2,2 million, pre-tax

profit quadrupled from R2,6 million to R10,6 million.

A significant decline in the effective tax rate from 53,6 per cent to 25,2 per cent resulted in attributable profit rising to R7,9 million, nearly seven times greater than R1,2 million in the previous year.

The strength of the balance sheet has improved with gearing down from 27 per cent a year ago to a negligible 4 per cent.

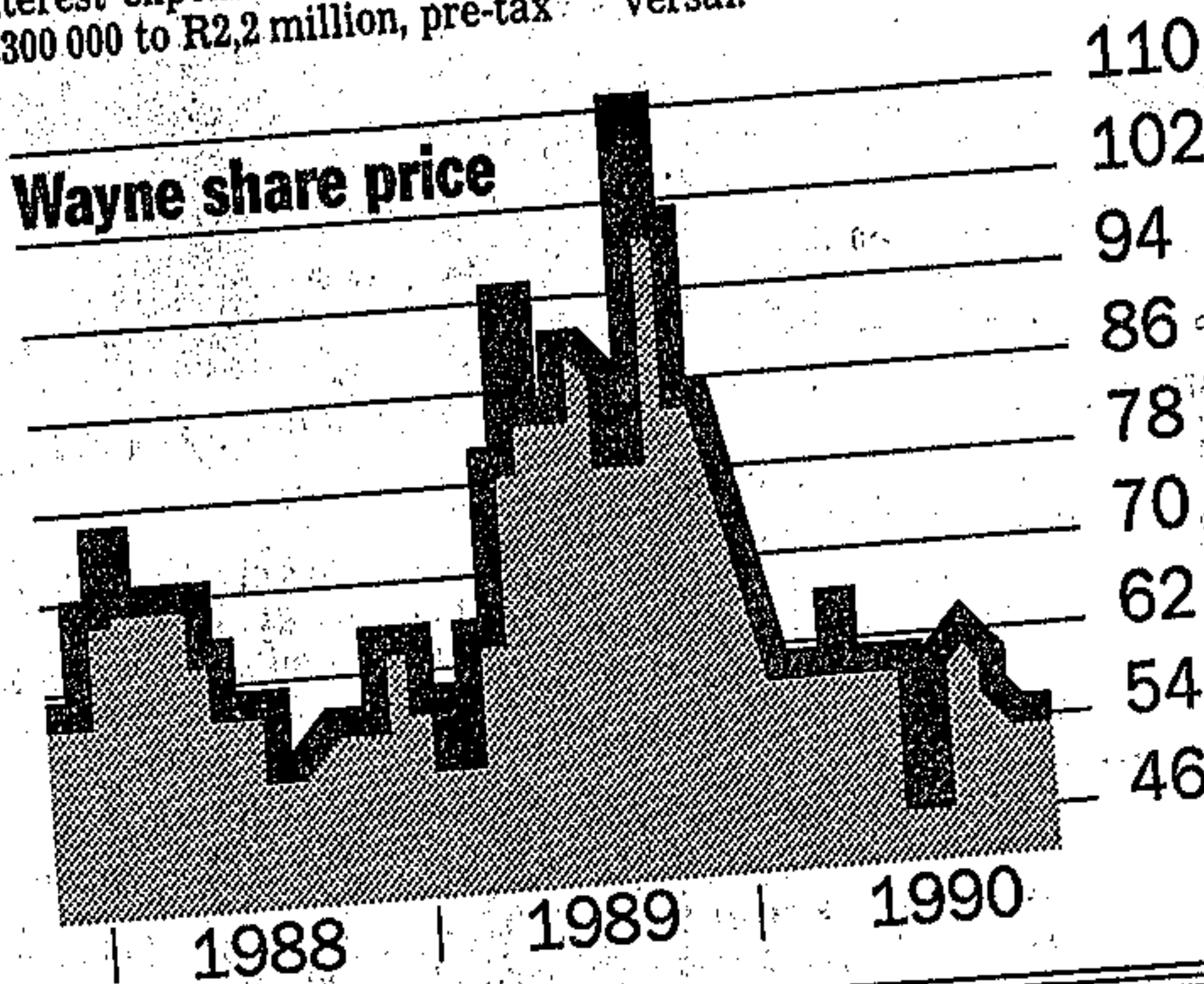
Net asset value has more than doubled from 44,3c a share to 99,3c.

These results are due to shareholders' equity increasing by R56 million to R60 million.

Wayne, priced at 55c, is trading on a price:earnings ratio of 4,2 and provides an attractive dividend yield of 9,5 per cent.

In view of the attractive growth potential for financial 1991, the share appears worth investing in at its current price level.

Comment: Wayne's share price collapsed from 110c in the last quarter of 1989 to its current level of 55c. The downward trend remains intact but a rise above 60c will signal a trend reversal.



## Tax takes a big bite of Darmag's profits

196

MABC HASENFUSS

CISKEIAN rubber and plastics producer Darmag posted reduced interim earnings for the six months ended September after a hefty increase in its tax bill.

The group's 42% boost in pre-tax profit to R1,1m (R771 000) was transformed by a R110 000 tax bill (previously a R337 000 tax credit) into a 13% decline in attributable earnings of R989 000 (R1,14m) or 4,5c (5,2c) a share.

Directors said profitability had improved mainly as a result of attention to cost saving and an improved performance in the plastics division.

Turnover showed a slender 5% increase to R14m (R13,4m). *8 Day 21/12/90*

An interim dividend was not declared although directors said tight control on capital spending during a period of increasing financing costs had stabilised the previously deteriorating cash position.

### More demand

The group's ability to resume dividend payments would be reviewed at the end of the year, the directors said.

Darmag reported significantly increased demand for its plastic products as the division took advantage of the previous year's investment in new equipment moulds and design facilities to obtain additional business and increase plant utilisation.

Turnover in the rubber division was maintained by improved sales of rubber battery products coupled with the discontinuance of low margin products and reduction in overheads.

New entrants into the battery separator business depressed group performance in this sector.

The group expects second half performance to be similar to that of the first half.



TIGER WHEELS

196

**GULF SPILLOVER** FIM 21/12/90

**Start-up** costs of three new retail outlets, under-performance in the group's Babelegi wheel factory and economic downturn significantly slowed Tiger Wheels' performance last year. EPS grew at a compound rate of 60% over the past three years but in the 1990 year the increase was only 8%.

Profitability in the manufacturing division — an important contributor to earnings — came under pressure on several fronts. A price difference between domestic and world market prices for ingot aluminium has led to cheap imports, which have squeezed margins. Problems also arose from the two-week stayaway during March in Bophuthatswana.

Given the uncertainty caused by the Gulf crisis, Tiger's management is not confident

**COMPANIES**

FIM 21/12/90

196

**Activities:** Manufacture and distribution of aluminium alloy and steel road wheels, distribution of high performance tyres for cars and motor-bikes and distribution of vehicle body parts.

**Controls:** Directors 81%.

**Chairman and CE:** E L Keizan.

**Capital structure:** 28,2m ords. Market capitalisation: R16m.

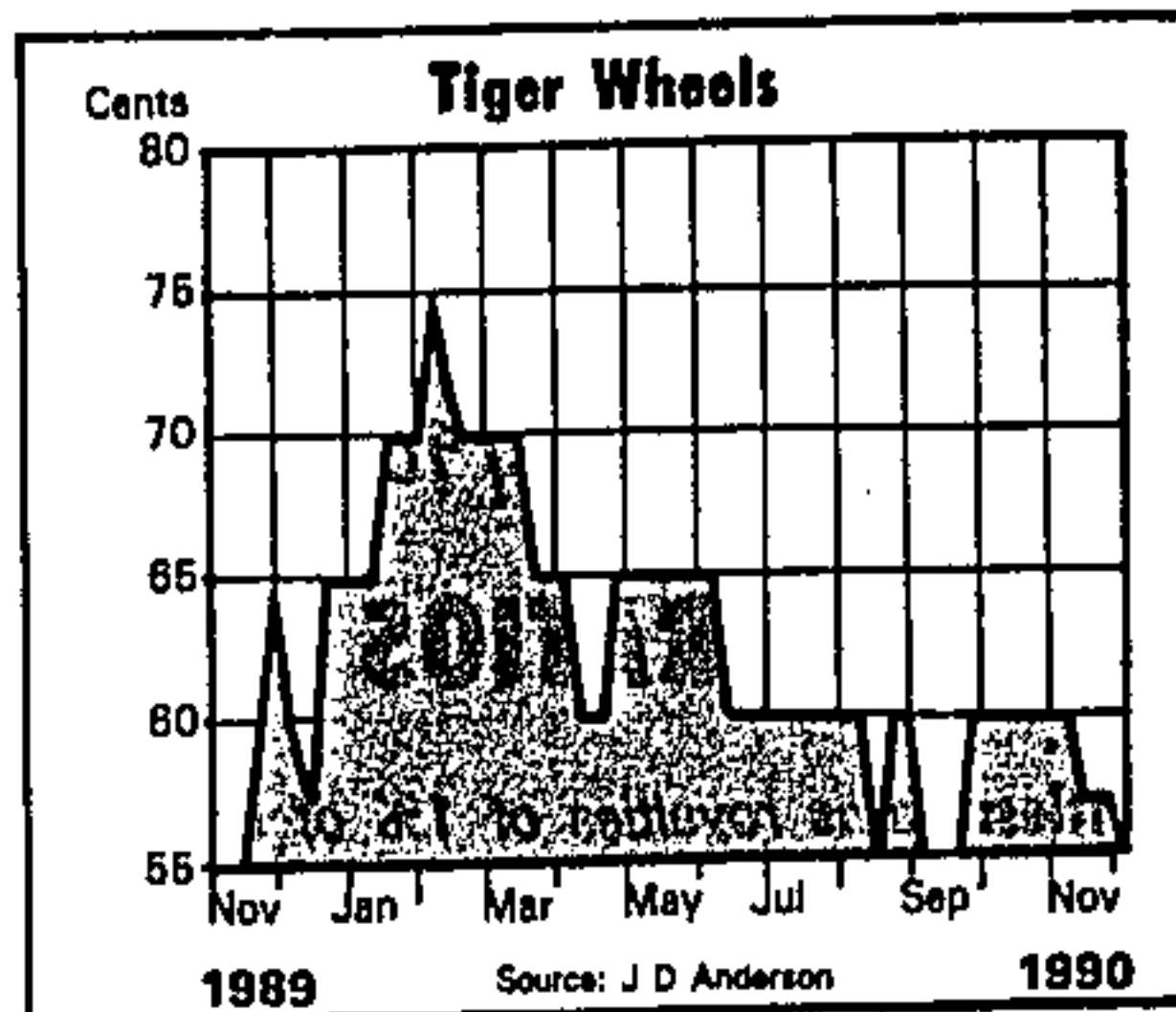
**Share market:** Price: 57c. Yields: 7,9% on dividend; 21,4% on earnings; p:e ratio, 4,7; cover, 2,7. 12-month high, 75c; low, 55c. Trading volume last quarter, 155 000 shares.

Year to June 30	'87	'88	'89	'90
ST debt (Rm) .....	1,9	0,4	0,1	2,6
LT debt (Rm) .....	1,6	0,9	1,6	3,4
Debt:equity ratio .....	1,32	0,1	0,1	0,48
Shareholders' interest .....	0,26	0,34	0,45	0,42
Int & leasing cover ..	2,74	9,8	11,3	9,5
Return on cap (%) ..	13,4	19,7	25,5	22,8
Turnover (Rm) .....	20,2	27,6	41,2	51,7
Pre-int profit (Rm) ...	1,3	3,5	5,0	6,4
Pre-int margin (%) ..	6,5	12,9	12,1	12,4
Earnings (c) .....	2,9	8,6	11,3	12,2
Dividends (c) .....	—	3,7*	4,5	4,5
Net worth (c) .....	12	25	34	42

\* Annualised.

the group will see any rise in earnings this year. With the local OE market for aluminium alloy wheels stagnant, near-term growth is likely to come from local retail activities and exports. Export performance should help compensate for a reduced domestic demand.

The R662 000 investment in an overseas wholesale tyre distribution business has not yet produced a profit since start-up in 1988. Management says that the strong turnover growth will move down to the bottom line in



due course.

It is hoped that the manufacturing division will benefit from the doubling of capa-

city at the Babelegi factory. Financial director Dave Crichton says the expansion, due to be completed in the first quarter of next year, was the main reason why debt trebled. As the expansion is being financed by an Industrial Development Corp loan at 5%, servicing the debt is not a problem.

With the motor industry directly affected by events in the Gulf, it could force car owners to keep their vehicles longer. This could lead to higher tyre sales to the replacement market, Tiger's biggest source of income.

The earnings multiple of 4,7 on the current price is in line with the motor sector average. Price appreciation is unlikely until conditions improve.

Gerhard Slabber

By DIRK TIEMANN

BTR, the successful British conglomerate, would be better advised to invest more in South Africa than to contemplate the sale of its 52% stake in BTR Dunlop SA.

That is the SA response to a statement by BTR chairman Sir Owen Green that the conglomerate is considering disposing of some of its "mature" investments.

BTR specialises in buying troubled companies, nursing them back to health or selling off assets to increase shareholders' wealth.

Sir Owen says: "We are more prepared to redefine our areas of interest. It is not sensible for us to move forward on such a broad front."

He also thinks there are many mature assets which could be turned into cash. That has raised eyebrows in SA.

BTR Dunlop managing director Clive Hooper is not aware of any disposal plans by BTR.

### Dozens

Mr Hooper says: "I do know that they have in mind to go public in the United States where several companies are 100% owned. I don't think we are affected."

BTR Dunlop spokesmen say BTR has dozens of interests worldwide that would make better sale prospects. They say the SA company is on a fast growth track that should last several years.

BTR Dunlop has zero borrowings and a R150-million expansion project should soon bear fruit.

Dunlop has 25% of the SA tyre market and is known to be interested in buying rivals. It was prevented from contesting the bid by Anglovaal's Consol for Goodyear only by the reluctance of the US parent to let it have its tyre technology.

Dunlop could well make approaches to Federale Volksbeleggings, 100% controller of Firestone.

Several years before the big disinvestment spate, Dunlop had reduced its stake from 70%, permitting several SA institutions to increase their stakes. There were eager buyers in 1987 on hopes of a sellout that never came.

BTR took control of troubled Dunlop in the UK three years ago. Although Dunlop International was an under-

# BTR is urged to invest not sell



CLIVE HOOPER: Fast growth performer, BTR management recognised the brilliance of Dunlop SA's management under chairman Hooper.

Dunlop was put in charge after Dunlop SA and BTR SA merged. Dunlop SA acquired BTR's factory at Howick and its other assets. BTR UK has hung tough in spite of violent and persistent industrial relations at the Howick plant.

After good results and an impressive presentation to the Investment Analysts Society in August, the price jumped from 1 810c to 2 325c since October.

## Consumer

BTR Dunlop has done outstandingly. Operating surplus rose by 34% on a 16% increase in turnover for the six months to June 30. Earnings a share shot up by 35% to 162c a share in contrast with many weak performances in the industrial sector.

The company makes and markets industrial and engineering products which constitute 49% of turnover, automotive products 39% and consumer products 12%.

BTR Dunlop's market capitalisation is R540-million. BTR could theoretically raise at least R280,8-million for its 52% stake. That would amount to £42-million through the financial rand.

The BTR Dunlop dividend this year will be worth slightly less than £4-million to BTR.

MANUF, — RUBBER PRODUCTS

1991



# Rainbow buys 50% stake in Premier's Epol

Own Correspondent

JOHANNESBURG. — Rainbow Chicken has not only acquired Premier Group's interests in its Bonny Bird broiler operations, it has also purchased a 50% stake in Premier's Epol Animal Feeds.

Rainbow and Premier will participate in Rainbow's R237m feed mill expansion, an announcement today says.

Rainbow is to acquire Premier's 50% interest in Bonny Bird Farms, Bokomo and Sacca for an undisclosed amount. Premier was left with a 50% holding in Bonny Bird when it merged its broiler activities with those of Bokomo and Sacca.

The combined market share of Rainbow (about 35%) and Bonny Bird (about 18,6%) would leave Rainbow with over 50% of the chicken industry.

Analysts estimated Bonny Bird would be worth about R375m, including debt. However the acquisition price was expected to exceed this amount.

It has also been agreed in principle that Rainbow will acquire 50% of the shareholders' interest and management control in Premier's Epol Animal Feeds.

Sources said the acquisition would have to be funded through a rights issue, and Rainbow might use the opportunity to take up more of the Methven family's share if they did not follow their rights — Methven Holdings has a big holding in Rainbow.

# Wheel and tyre makers set to ride out recession

WHILE most vehicle manufacturers seem set to remain in neutral gear this year, manufacturers of wheels and tyres are geared to ride out the recession, analysts say.

Key market players believe the markets for wheels and tyres will continue to grow next year, in spite of the no-growth scenario predicted for new vehicle sales in 1991.

Analysts say the strong after-market for tyres will strengthen next year as motorists are now extending the life span of their vehicles in the light of rapidly increasing vehicle prices.

Vehicles in SA are now expected to last seven to eight years, which means a set of tyres on average will be replaced at least four times during a car's life span.

Trencor, which owns 21% of Contred which incorporates Tycon (formerly Good-year), FSI subsidiary Gentyre and BTR Dunlop have been tipped by analysts as

## MARC HASENFUSS

strong market performers next year.

Gentyre and Dunlop shares did not perform to expectations last year after investor confidence was knocked by rumours of a supply of cheaper imported tyres.

## Expensive

Last year Trencor's tyre division made a significant contribution to its R784,6m turnover, while Gentyre posted a 40% increase in earnings to R43,5m (R31m) for the year to December 1990. BTR Dunlop boosted interim earnings 35% to 162c (120c) for the six months end-June 1990.

The after-market for alloy wheels, although more expensive to manufacture than steel wheels due to a cost penalty, has grown considerably since its humble start a decade ago.

Recessionary conditions have not affected the sales growth of alloy wheels.

Analysts said the down-buying trend in cars has ironically resulted in increased interest in alloy wheels which, as they are seen as a symbol of affluence, are used to upgrade basic model vehicles.

A number of luxury cars manufactured in SA already have alloy wheels as a standard feature.

Local manufacturer and distributor of alloy wheels, Tiger Wheels, could soon woo investors looking for potential shares outside the Blue Chip range, analysts say. Tiger outrode the economic slump showing a 17% increase in attributable profits to R3,4m (R2,9m).

Last week AAF, a London-listed subsidiary of W & A Investments, acquired a UK alloy wheel manufacturer and distributor, the Wheels Business. Despite Wheels Business posting a loss of £62 000 for the year ended April 1990, analysts said it was an acquisition that would prove its potential in a few years.

MARC HASENFUSS

INDUSTRIAL and consumer rubber product manufacturer BTR Dunlop lifted year-end earnings 21% despite a decline in real sales to the building industry and a 5% fall in new car sales during 1990.

The gains were made largely by maintaining good margins.

MD Clive Hooper said that while the mining industry had undertaken cut-backs in the second half of the year, the group's industrial division had won a contract for 42km of steelcord belting for use in a coal transport installation.

Besides tyres, tubes and industrial belting, BTR

## Dunlop results are still full of bounce

Dunlop manufactures and markets sporting goods, carpets, vinyl flooring, mattresses, locking systems and rail fasteners.

Attributable profit was boosted to R87,5m (R72,5m) for the year to end-December 1990, on the back of an 11% increase in turnover to R700,8m (R631,8m).

With an increased number of shares in issue earnings a share increased 20% to 372c (310c). A final dividend of 105c (90c) was declared, increasing the total

for the year by 18% to 165c (140c), covered 2,3 (2,2) times.

The pre-tax profit increased 21% to R134,2m (R110,9m).

Hooper reported that the group had spent R34m on capital expenditure during the year under review, which was part of an announced R110m three-year expansion programme.

The group's wholly owned Dunlop tyre subsidiary has an estimated 25%

sales share in the local tyre market.

While the group's tax rate remained almost the same as last year, this would gradually increase as capital expenditure allowances diminished, Hooper said.

He said that although finance charges increased because of higher net current assets worth R130,8m (R103,1m), improvements in working capital by year end had resulted in a cash balance of R5,7m.

Hooper said the group expected 1991 to be a year of consolidation due to the static growth foreseen in SA and the possible effects of recessionary conditions in major world economies.



# BTR Dunlop performance lifted by productivity improvements

*Star 14/2/91*  
**196**

By Jabulani Sikhakhane

Continued improvement in productivity and operational efficiency helped boost BTR Dunlop's performance for the year to December, with earnings up 20 percent to 372c (310c) on a slightly enlarged share base.

A final dividend of 105c (90c) has been declared, making a total distribution of 165c (140c), which is 2,3 times covered (2,2).

Since the merger of the operations of BTR and Dunlop in 1986, operating margins of the combined operations have shown improvement thanks to group emphasis on improving productivity and operational efficiency.

From 10,1 percent in 1986, operating margins stood at 19 percent in the year to December 1990.

Major contributors to group turnover and profits were the industrial division, which in financial 1989 contributed 49 percent of sales and 43 percent of trading profit, and the motor di-

vision with 39 percent of sales and 45 percent of trading profit.

The two divisions have been affected by the slowdown in the economy. New vehicle sales were down five percent last year, while the mining industry has been cutting back on spending.

The directors say 1991 will be a year of consolidation because of the no-growth situation foreseen in the local economy and the possible effects of recession in major world economies.

In the review period, sales increased 11 percent to R700,8 million from R631,8 million.

This was achieved despite a recession in the building industry, a five percent reduction in vehicle sales and cutbacks in expenditure by the mining industry.

However, the industrial products division benefited from winning the contract for 42 kilometres of steelcord belt, which will be used in a new coal transport installation.

By maintaining throughout the

year the higher operating margins achieved in the second half of financial 1989, the group increased trading profit by 21 percent to R134,2 million (R110,9 million).

This translated into operating margins of 19 percent from 17,6 percent.

Because of higher net current assets at R130,8 million (R103,1 million), finance charges more than doubled to R8,8 million (R4 million).

But an improvement in working capital by year-end resulted in a positive cash balance of R5,7 million, compared with borrowings of R600 000 in 1989.

The effective tax rate was about the same as 1989, but the directors warn that as capex allowances diminish, the rate will gradually rise over the following year.

The tax charge rose to R37,9 million from R34,4 million, leaving attributable profit up 21 percent at R87,5 million (R72,5 million).

# Tyre sales push Consol profits up

*196*  
*81 Day 15/2/91*  
CONSOL, Anglovaal's packaging and rubber subsidiary, has posted a 31% rise in attributable profits in the six months to December, with results boosted by its tyre businesses.

Attributable earnings of R58,8m (R45m) or 91,9c (70,3c) a share, follow earnings growth of 48% in the year to end-June.

Turnover improved 65% to R1bn (R632m) largely because of growth in the rubber sector. Tyre retreading and distribution subsidiary Tredcor was only merged into the group from January 1 1990 and therefore did not contribute in the previous comparable period.

In addition, Tycon (formerly Goodyear) had experienced an 11-week strike during the previous interim period.

Group MD Piet Neethling says both Tycon and Tredcor achieved good volume growth in the passenger tyre market. However, adverse economic conditions affected sales of commercial vehicle tyres.

Turnover of Consol's packaging sector rose 12% with volume growth experienced in all divisions, except glass tableware. Its turnover was affected by the disposal of its flexible plastics operations in the second half of the previous year.

The packaging operations suffered from higher fuel and energy costs and labour instability, said Neethling.

In addition, adverse economic conditions resulted in shorter production runs, and the glass division experienced production problems because of the introduction of new manufacturing technology at the Clayville factory.

Consol's operating profit rose 61% to R141m (R87,5m). With net financing costs at a similar level to the previous year, pre-

ZILLA EFRAT

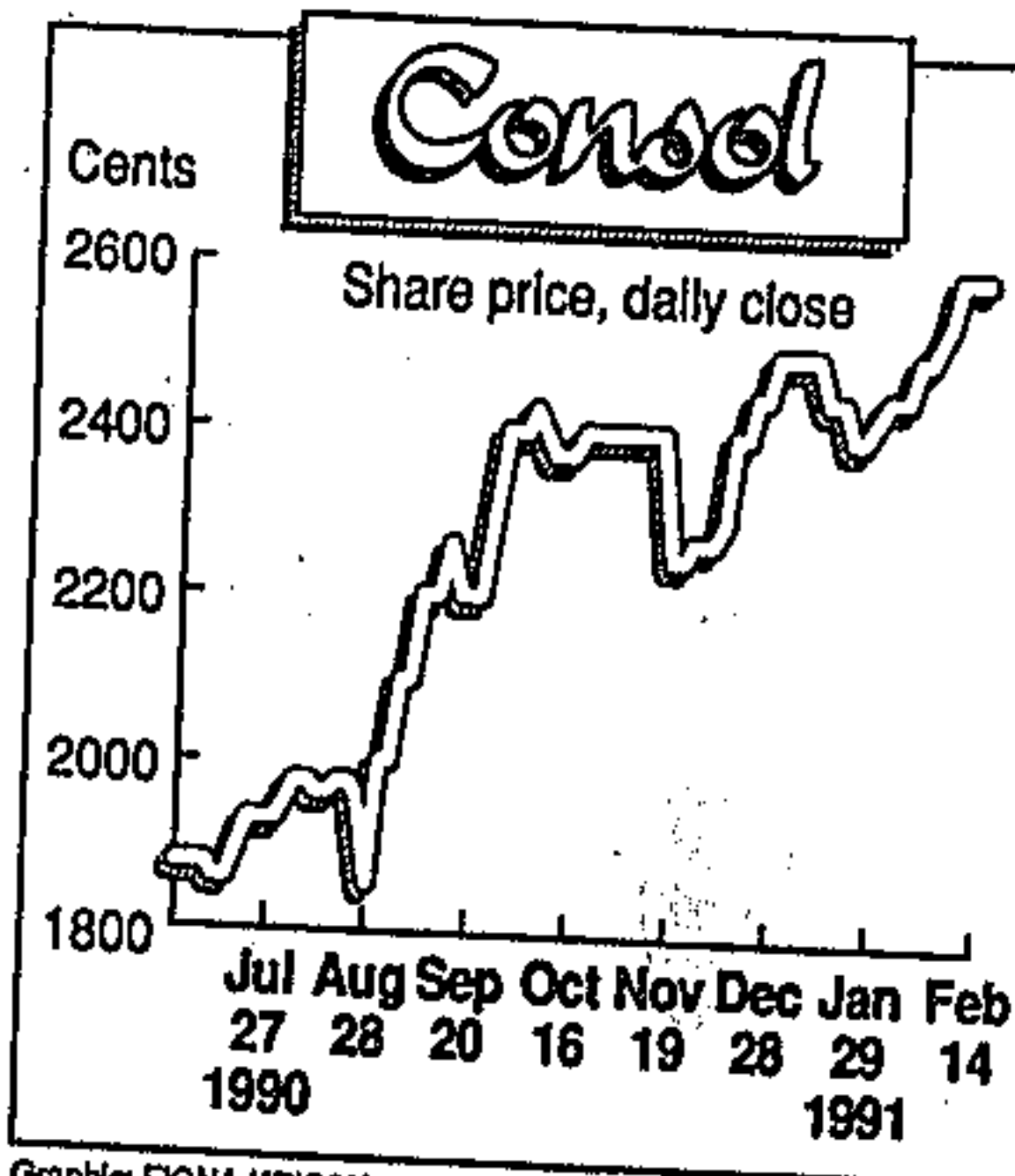
tax profit rose 70%.

The tax rate jumped to 45,1% (37%) largely because of lower capital expenditure and a decrease of the wear and tear allowance on plant and machinery in the year of acquisition. Taxed profits were 48% higher at R71,6m.

Consol's capex for the half-year fell to R32,8m (R42,8m) and a further R31m (R54m) has been authorised.

Notwithstanding the relatively soft market conditions and the unsettled social environment, an earnings improvement is anticipated for the full year.

However, Neethling says the rate of increase will not equal that achieved in the period under review, as the first six months of the previous year had included the adverse effect of the Tycon strike.



Graphic: FIONA KRISCH Source: JSE

# Consol gets extra bounce

Star 15/2/91

(196)

Consol's figures for the six months to December were boosted by two exceptional factors.

As these will not affect second-half results, a more pedestrian performance is expected for the full year.

Interim earnings were up 31 percent to 91,9c (70,3c) a share, from which a dividend of 45c (33c) will be paid.

Turnover shot up 65 percent to R1,043 billion (R631,7 million) and operating profit rose 61 percent to R141 million (R87,5 million).

The sharp hike in turnover is attributable to the group's rubber division, where turnover almost trebled to R559,5 million (R200,5 million).

By contrast, sales at the packaging division were up only 12 percent to R483,4 million (R431,2 million).

Management says that turnover in the packaging division was adversely affected by the disposal of two operations in the six months to June '90.

It says there was volume growth in all divisions except glass tableware.

Reason for the extent of the increase in turnover at the rubber division was that the previous year's figures did not in-

Diagonal  
Street

ANN CROTTY



clude Tredcor — the tyre re-treading and distribution operation, which was only merged into the group from January '90.

In addition, Tycon (formerly Goodyear) was hit by an 11-week strike in the first half of financial '90. While this had some impact on turnover, it had a much greater effect on profit.

The rubber division's operating profit soared from R7,1 million to R53,5 million, compared with the 8,9 percent increase at the packaging division.

This meant that the rubber division accounted for 38 percent of group operating profit in the '91 interim, compared with eight percent at the previous interim.

Rubber provided 54 percent of group sales in the review interim, compared with 32 percent in the first half of '90.

The figures reflect the much higher margins enjoyed by the packaging division — 18 percent, against the 9,5 percent at

rubber. The overall margin of 13,5 percent is slightly down on the previous year's 13,85 percent.

Net finance costs were virtually unchanged. Pre-tax profit was up 70 percent to R130,4 million (R76,8 million).

The tax rate was up to 45 percent from 37 percent, which meant that the taxed profit increase was restricted to 48 percent — up from R48,3 million to R71,6 million.

The higher tax rate is attributed to the reduced level of capex and a decrease of the wear-and-tear allowance on plant and machinery in the year of acquisition from 50 percent to 20 percent.

As a result of the Tredcor merger, the review figures include earnings attributable to outside shareholders of R9,4 million. This left attributable earnings of R58,8 million (R45 million.)

The second half is expected to see a continuation of the soft market conditions and the unsettled social environment.

The directors say: "An earnings improvement is expected for the full year, although the rate of increase will not equal that achieved in the six months under review."



# Trencor earnings grow despite lower turnover

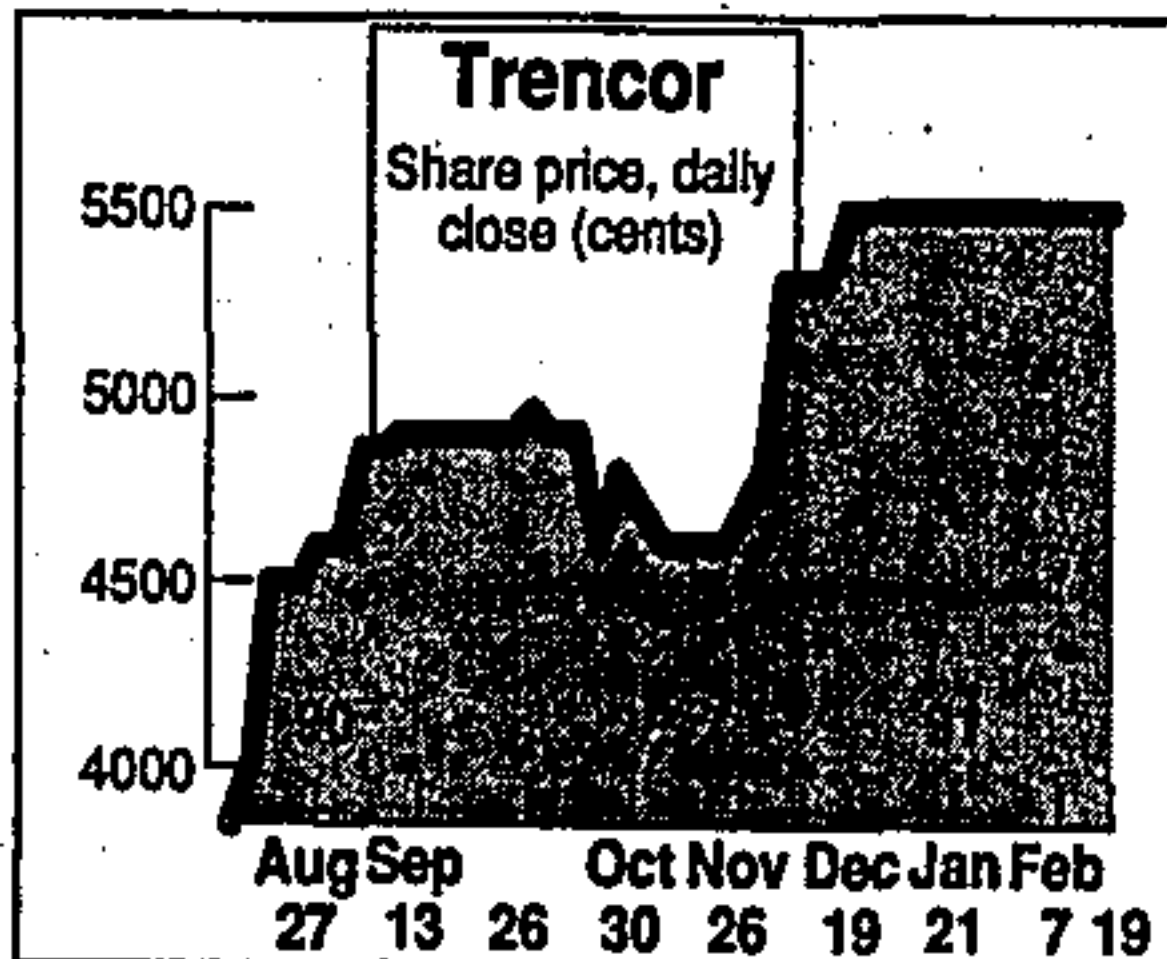
CAPE TOWN — Trencor has reported a 23% growth in earnings a share to 254c for the six months to end December, in spite of difficult trading conditions in domestic and export markets.

Turnover declined to R390m from R396m as a result of a merger within the group which made the turnover figure incomparable with that of the previous interim period, executive chairman Neil Jowell said yesterday.

The merger of Tycon (formerly Goodyear), a manufacturer and Tredcor, a retailer, into Contred in January 1990 had resulted in a change in the mix of manufacturing and retail trading which boosted profits but subdued turnover, Jowell said.

The effect of the merger on turnover at the end of the last financial year had not been as noticeable because other factors had contributed to the increase in turnover, he said.

Income from the group's interests in



Graphic: LEE EMERTON Source: JSE

LESLEY LAMBERT

manufacturing, transport, trading, exporting and tyres, rose by 13% to R61m from a high profit base established last year.

Interest charges rose by 66% to R10m as a result of an increase in interest-bearing debt which pushed the interest-bearing debt to equity percentage from 31% to 37%.

The tax bill declined from R16m to R12m, as foreign operations in low tax jurisdictions continued to contribute to a lower overall tax rate.

These factors resulted in a 20% increase in attributable earnings to R36m. An interim dividend of 35c (30c) was declared.

Jowell said the group was still expecting year-end earnings to exceed 1990's record 572c a share, in spite of the difficult trading conditions.

"Our South African operations are labouring under the weight of the recession and container exports are under pressure largely from declining international prices caused by increased production capacity in many parts of the world," he said.

Mobile Industries, which has a 48% holding in Trencor reported a satisfactory performance from its finance and leasing subsidiary, Mobile Acceptances.

It posted attributable income of R17,8m (R14,6m) for the half year.

A dividend of 8,2c (7c) a share declared earlier this month arose from earnings of 63c (51,6c).

# Trencor lifts Star 20/2/91 earnings by 196 22 percent

Finance Staff 

Trencor has reported a 22 per cent advance in earnings a share to 254c (207c) for the six months to December.

Income from interests in manufacturing, transport, trading, exporting and tyres rose to R61 million (R54 million).

There was a 66 percent rise in the interest bill from R6 million to R10 million.

Attributable income after outside shareholders' interest of R3 million was R36 million (R30 million).

An interim dividend of 35c (30c) a share has been declared.

Executive chairman Neil Jowell says the R390 million turnover is not comparable with the previous figure because the merger of Tycon (formerly Goodyear) and Tredcor to form Contred resulted in a significant change in the mix of manufacturing and retail trading.

The group is still forecasting a rise in earnings for the year over 1990's record 572c a share, despite difficult conditions both domestically and in export markets.

Mr Jowell says that while interest-bearing debt rose to R107 million (R79 million), liquidity ratios remain satisfactory.

## COMPANIES

# Wayne on track after merger

196 B/PAJ 21/2/91.  
THE merger of Wayne Manufacturing (previously Wayne Rubber) with Phoenix last year resulted in Wayne's attributable earnings rising 26,5% in the six months to end-December 1990.

Specialist rubber manufacturer Wayne was on track to increase its earnings in financial 1991, chairman Robert Feinblum said in a statement yesterday.

He said the group's two divisions were "well positioned to take advantage of the markets in which they operate".

Attributable earnings rose by 26,5% to R3,29m (R2,6m) on a 9% increase in turnover to R62,8m (R57,6m).

Operating income rose 1,8% to R6,1m (R5,9m).

Earnings a share rose by 26% to 5,42c (4,29c) and a higher interim dividend of 1,75c a share (1,5c) has been declared.

Feinblum said the refocus had resulted in more efficient use of assets and all divisions in the group "have contributed

handsomely to the increase in attributable earnings".

He added that the real benefits of the merger and subsequent rationalisation were now emerging and reflected the group's refocus onto its core business.

On the balance sheet, gearing improved substantially with current liabilities falling by 35% to R14,89m (R21,49m).

Feinblum said the group was investigating a number of new capital projects which, "if they come to fruition, will have the effect of further enhancing shareholder wealth".

In the light of the group's clearer focus and the continued demand for its products, Feinblum forecast higher earnings in the second half of the current financial year than those achieved during the same period last year.

MARIETTE DU PLESSIS



TRENCOR/MOBILE Fm 22/2/91

## CHANGED MIX

196

Trencor's latest interim figures show a drop in turnover, but this reflects deals done during the previous year rather than the trading performance.

The sales mix changed after the tyre interests of Tredcor were merged with Goodyear to form Contred early last year. The adjusted figures would show turnover to have increased over the previous interim. As Goodyear is a manufacturer, its margins are higher and its sales figures are lower than those for the retailing operations.

EPS have grown by 23%, which is impressive in view of the high base set during the previous year. Even so, pre-interest was up by only 13%, indicating 1991 will be a slower year. There are several reasons for taking this view.

Firstly, the SA economy is in recession

Fm 22/2/91 (196)  
and, as chairman Neil Jowell puts it, "there is a fairly marked decline in demand, especially in the engineering business, where the requirement for trailers has tailed off substantially."

Secondly, Jowell says: "Though exports performed reasonably and forward orders

continued

FOX Fm 22/2/91

196

are still satisfactory, demand in this sector is certainly softening. The largest container manufacturers in the world are in Korea. They are now quoting very short delivery times and reduced prices because of excess capacity brought about by the reduction in world trade."

A further factor is that the rand has been relatively stable for many months, unlike the trend in 1989 when the currency was depreciating. The rand's depreciation did much to boost Trencor's export receipts.

Nevertheless, the group's foreign operations have continued to trade satisfactorily. The value of their contribution is enhanced by the fact that they trade in areas where taxes are low. Effects of this are evident in the group's effective tax rate, which has declined to 23% from the previous year's 33%.

Jowell, as usual, is conservative when talking about the future. He sees a further softening in overall demand, but says Trencor will record "maybe just real growth in EPS. My guess is that EPS will be 20% ahead for the full year."

If achieved, this would put prospective EPS up to 686c which, at the price of R55, give an earnings multiple of 8. For a share that has developed a blue chip reputation, this looks good value in today's market. But it should not be expected that the large leaps in earnings achieved in the past will continue.

Mobile Industries, which holds 48% of Trencor, posted EPS of 63c (61,6c) and an interim dividend of 8,2c (7,0c). Gerald Hirshon

CONSOL FM 22/2/91

**CATCHING UP** 196

**Consol, seeming** to shrug off the recession, boosted earnings for the six months to December by 31%. However, the improved performance was more a result of fundamental differences in the periods under comparison than a reflection of trading growth.

Principal contributor to the 65% rise in turnover was the rubber division, as the 1990 figures include for the first time the results of the retreader and distributor, Tredcor, which became a 61% subsidiary from January 1 1990. Also, Tycon (formerly Goodyear) suffered a disruptive strike over disinvestment demands lasting nearly three months during the 1989 interim period, which badly affected performance.

The packaging sector saw more modest turnover growth of 12%. Sales in all divisions other than glass tableware rose, but the disposal of the industrial flexibles and bags and sacks operations earlier in 1990 dampened overall performance.

Operating profit in the packaging sector was adversely affected by higher fuel and energy costs, as well as labour instability resulting from township violence. Weaker economic conditions saw shorter production runs and more frequent colour changes in the glass division.

Finance costs were marginally lower than the year-ago level, though long-term debt rose. This was partly offset by a decline in short-term interest-bearing debt.

Net profit was hampered by a rise in the effective tax rate to 45.1% from the previous year's 37%, largely because of a lower level of capital expenditure and the decrease in the wear and tear allowance on plant and machinery in the year of acquisition from 50% to 20%. After-tax profit still rose by a healthy 48%.

Consol's second-half performance is unlikely to match that of the first half and indeed could flatten out. Tredcor was included in last year's second six months, while the

Tycon problems were no longer an issue. Also, the economic climate is not conducive to growth. As the directors state: "Relatively soft market conditions and an unsettled social environment are expected to continue for the balance of the financial year. An earnings improvement is anticipated for the full year, though the rate of increase will not equal that achieved in the half-year under review."

At 2 625c, the share stands on a demanding rating, with the dividend yield at 1.7% and the p/e at 16.6, which largely discounts the current performance.

*Gillian Findlay*

# World slump, static growth make BTR Dunlop cautious

THE static growth foreseen for SA and the possible effects of a world recession make 1991 a year of consolidation for the diversified BTR Dunlop group, says Chairman Dru Gnodde in his annual review.

He said the group saw its growth opportunities in manufacturing and marketing, especially where the technological and capital content is significant.

MD Clive Hooper was also cautious about the months ahead. He said there would be limited growth

MARC HASENFUSS

in the tyre division in the next financial year.

However, new product lines had been developed by Dunlopillo in the bedding and furniture markets and would provide a platform for further growth this year.

Hooper said with the prospect of little growth in BTR Dunlop's industrial products division, the introduction of new products and

15 10-1 7/3/91  
further productivity improvements would be stressed. (196)

The group's rubber division has a contract for rail fasteners with the Botswana Railway for 1991.

No improvement is expected in the flooring division until interest rates are lowered. Last year greater productivity and efficiency in the division helped offset the impact of lower contract and domestic flooring markets.

BTR Dunlop's recent perform-

ance justified calls for its holding company, the British conglomerate BTR, not to dispose of its 52% stake in the group after chairman Sir Owen Green hinted at the disposal of some of its "mature investments." The group reported an inflation beating 20% rise in earnings to 372c (310c) for the year to end December.

The number of people employed by the group dropped off slightly last year to 5 933 compared to 5 991 the year before.



## FRUITFUL MERGER

**Activities:** Manufactures industrial and consumer rubber products.

**Control:** BTR Plc 52%.

**Chairman:** A M D Gnodde; MD: C R Hooper.

**Capital structure:** 23,6m ords. Market capitalisation: R671,3m.

**Share market:** Price: 2 850c. Yields: 5,8% on dividend; 13,1% on earnings; p:e ratio, 7,7; cover, 2,3. 12-month high, 2 900c; low, 1 800c. Trading volume last quarter, 231 000 shares.

Year to Dec 31	'87	'88	'89	'90
ST debt (Rm) .....	18,5	3,4	3,5	3,5
LT debt (Rm) .....	0,4	0,3	0,5	0,4
Debt:equity ratio .....	0,12	0,01	—	—
Shareholders' interest	0,58	0,63	0,65	0,68
Int & leasing cover ..	12,2	20,0	27,6	15,2
Return on cap (%) ..	16,9	22,6	27,1	28,9
Turnover (Rm) .....	411	529	632	701
Pre-int profit (Rm) ...	47,6	74,0	110,9	134,3
Pre-int margin (%) ..	11,6	14,0	17,6	19,2
Earnings (c) .....	106,6	163,2	309,8	372,0
Dividends (c) .....	85	105	140	165
Net worth (c) .....	705	870	1 136	1 340

The 1986 merger of the local operations of BTR and Dunlop continues to bear fruit. In financial 1990 trading margins widened again, from 17,6% to 19,1%, thanks to stringent control of overheads. The question is: how much longer can efficiencies improve in the face of slackening demand?

Sales value rose 11%, though volumes fell because of the recession in the building industry and a 5% drop in new vehicle sales in 1990. MD Clive Hooper says that while the mining industry had cutbacks in the second half, the industrial products division benefited from the contract for 42 km steel cord belt for a coal transport installation.

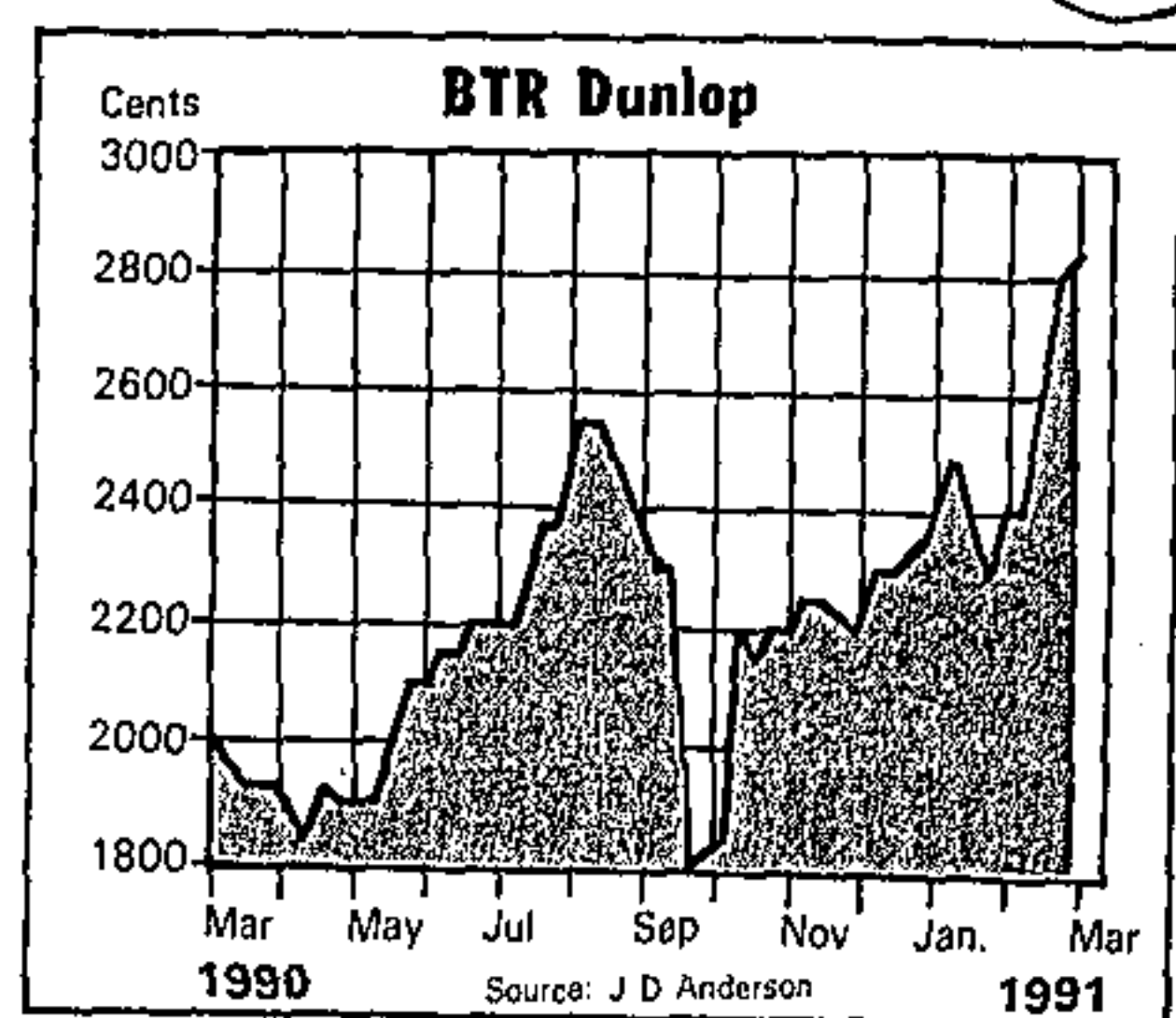
This helped to boost the engineering and industrial division's trading profit by 26% to R60,4m, past the motor division's R59,1m. The consumer division's R14,7m pushed total trading profit to R134,2m. Though financing costs more than doubled to R8,8m, it is low in comparison to trading profit.

The effective tax rate fell by two percentage points to 30%, helping attributable income to rise by 20,7%. Since the merger attributable earnings have grown by 44,8% compound annually.

The group started some time ago to adjust its product range to market developments. It embarked on a R110m capex programme, of which R34m was spent last year, to make radial steel tyres for cars and trucks.

Hooper notes that the SA tyre industry had reasonable growth in 1990 as growth in the replacement market exceeded the decline in the original equipment market, which was

## COMPANIES FM 15/3/91. 196



in line with the fall in new vehicle sales.

Management expects static growth locally and the international recession is expected to have an impact. Hooper says this year will be a period of consolidation.

The share price rose from R8 to R28,50 over the past three years. On a 7,7 earnings multiple it's pretty fully priced. Gerhard Slabber

# A tax holiday keeps Gentyre rolling along

St Times 17/3/91

196

GENERAL TYRE paid less than one percent of the tax it paid last year due to the recognition of permanent differences arising from the 1989 restructure.

This holiday helped the company to show a 58% rise in attributable earnings for the year to December 1990.

Turnover at the tyre and industrial rubber product manufacturer climbed by 15% to R520-million in spite of the economic downturn.

Operating profit margin came down from 13,9% to 12,3%, due mainly to cut-backs by customers for industrial products.

A loss-making motor components company also required capital.

But director Jeff Liebesman says demand for new product Continental Tyres was so high it could not be fully met.

A decision to discontinue Uniroyal was taken because there was no longer a place in the market for the brand.

The sturdy balance sheet enabled Gentyre to earn R5-million in interest, which helped to push pre-tax profit 4% higher to R69-million.

Barely R200 000 was paid in tax, compared with R23-million in 1989. Earnings a share reached 442c and the dividend was lifted 20% to

By JULIE WALKER

112c, four times covered by earnings.

Mr Liebesman paid credit to Gentyre's staff and management, whom he said had controlled assets well. He describes it as a wonderful company.

Gentyre is part of the W&A group, control of which was bought by Mr Liebesman's FSI Corporation in 1987. At that time the attributable earnings of W&A were R37-million. Four years later, the profit attributable from 67%-held Gentyre is R44-million.

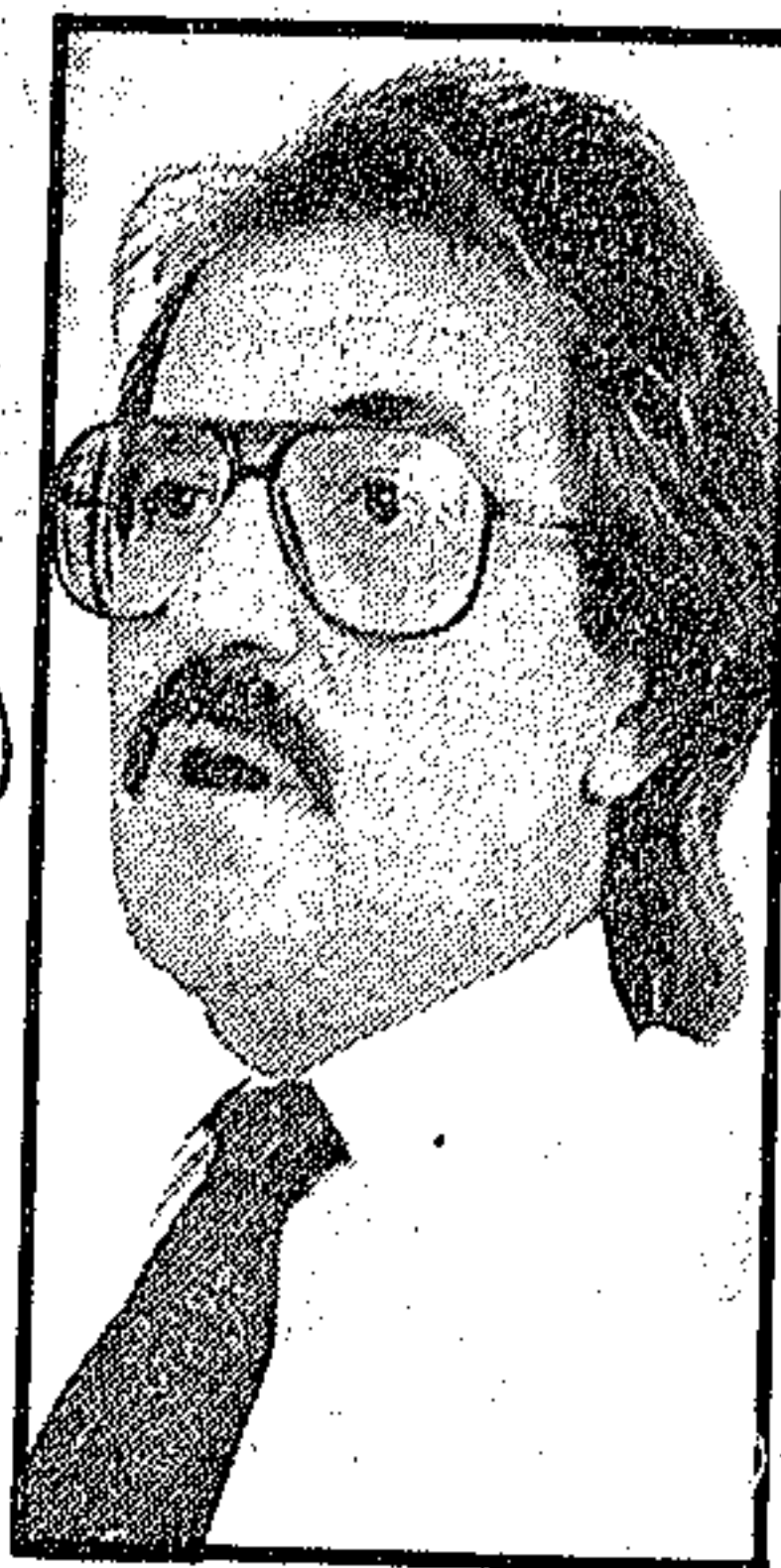
These figures fully vindicate FSI's purchase of W&A at a price which looked high at the time, just before the collapse of world bourses in October 1987.

Under new ownership, Gentyre paid more attention to the switch from textile tyres to steel-belt tyres.

Management has installed new facilities at what Mr Liebesman describes as reasonable cost, and the benefits should be felt this year.

The Continental range will be expanded to cater for trucks. The brand has won a high slice of the passenger vehicle market.

Mr Liebesman is hopeful that tyre exports will grow



JEFF LIEBESMAN

now that capacity constraints have begun to ease. The industrial division is also expected to improve, but so much depends on the mining industry.

Given stable operating conditions the directors expect an improvement in earnings a share this year.

# Demand for tyres keeps Gentyre in the fast lane

DEFYING the weakening economy, Gentyre Industries' earnings growth continued to accelerate on the back of strong tyre and industrial rubber sales.

Earnings increased 58% to R68,9m (R43,6m) or 442c (280c) a share for the year to end December 1990.

Gentyre's results since 1987 show strong growth levels of 28%, 41%, 40% and now 58%, and Gentyre chairman Terry Rolfe said the group was looking

## MARC HASENFUSS

at further growth in 1991.

Turnover increased 15% to R520m (R452m). A final dividend of 57c was declared lifting the total payout to 112c (93c), covered 4 (3) times.

Rolfe said at the weekend that declines were seen in the market for heavy service, off-road agricultural tyres and for the original equipment sector of the passenger and light commercial vehicle (LCV) markets.

However, these declines were more than offset by growth in the car and LCV replacement markets.

"Demand was particularly strong for Continental brand tyres, exceeding the capacity of our Port Elizabeth factory."

Rolfe said Gentyre's industrial division was effective in countering sharp cutbacks in expenditure by customers, mainly in the mining industry, and managed an increase in profits despite reduced margins.

This led to tighter operating margins for the group at 12,3% (14%).

Ongoing management of working capital helped maintain a high level of

liquidity at R36m (R39m), giving rise to a 53% increase in interest received to R5m (R3,3m) for the period under review.

Rolfe said the effective tax rate was reduced by permanent differences arising from the 1989 restructuring of the group being recognised in the income statement of the period in which they rise.

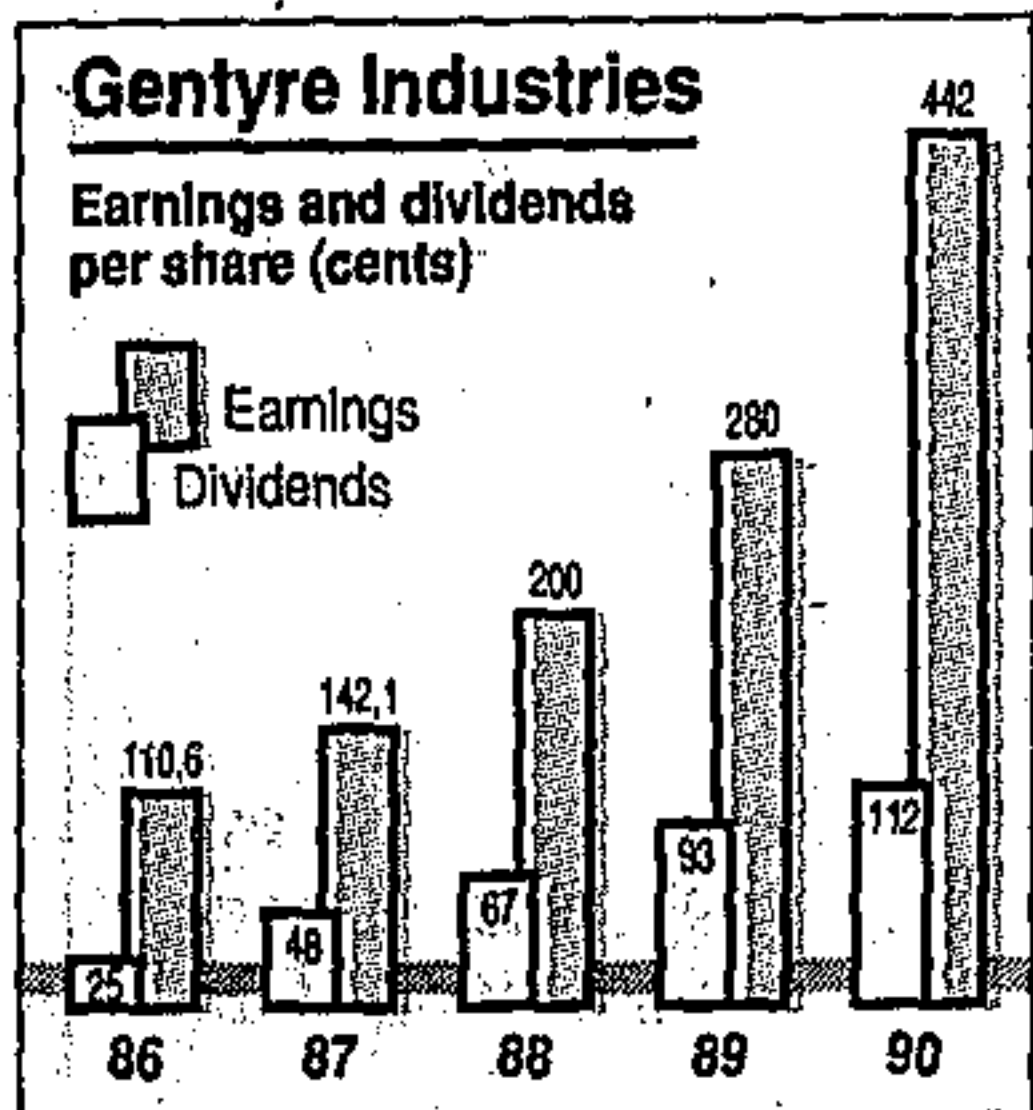
Tax was brought down to R203 000 from R23m in the previous year.

Rolfe said "benefits are expected to start being felt from the capital expenditure programme undertaken over the past two years, and capacity constraints at the tyre factory should start to ease."

The industrial division was expected to show further profit improvements in 1991, he said.

Given stable operating conditions, the directors expected an improvement in earnings per share for 1991.

Ahead of the strong results Gentyre A shares climbed 50c to a R24 high, while Gentyre B gained 200c to a R25,50 high last week. Both shares are well above their respective lows of R16,50 and R16,25 last November.





# Tiger Wheels hits profits pothole

61 Day 2 2 11  
26/3/91  
196  
FAULTY raw materials supplied to tyre and wheel group Tiger Wheels reduced earnings to 1,1c (6,1c) a share in the six months to end-December.

BEVERLY HUCKLESBY

Elizabeth, Boksburg and Pretoria are now all showing profits."

Earnings in the second half of the year were expected to be about 5c a share.

Turnover rose by 21% to R30,6m (R25,4m) but a massive hike in the interest bill to R735 000 (R192 000) and an extraordinary item of R2m caused a 77,5% reduction in after tax profit to R452 000 (R1,7m).

Because of export incentives, decentralisation and new plant allowances, no tax was payable in the period under review. An amount of R153 000 was sliced off profits as the result of the loss of an associated company.

Quality standards at the wheel plant were maintained, but output diminished and production costs were higher as a result, he said.

Company policy dictates that no interim dividend be declared.

CE Eddie Keizan yesterday attributed the decline in profits to faulty raw materials supplied to the aluminium wheel manufacturing plant which cost the company R2m in lost contracts and sales.

The company had since taken steps to minimise a repeat of the situation and was considering its rights of action against suppliers, Keizan said in a statement.

"If the problem had not arisen, earnings would have been almost on a par with the first half of last year," he said.

The situation had been resolved and Tiger Wheels was back on track. "Wheel production increased from this month in line with new export orders, while the new wholly-owned Tiger Wheel and Tyre stores developed last year in Cape Town, Port

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# Acquisition gives scope for growth

196 188  
15/10/21 5/4/87

INDUSTRIAL rubber and plastics group Wayne Manufacturing has acquired Cape-based Rubber Products & Mouldings for an undisclosed amount, a statement said yesterday.

Wayne Manufacturing executive chairman Robert Feinblum said the acquisition, effective from July this year, gave the group scope for further growth in turnover of about R23m. A substantial portion of this growth would be experienced in the 1992 financial year, he said.

Rubber Products & Mouldings, a major rubber moulding and extrusion manufacturer for the building and motor industry, will form part of subsidiary Wayne Rubber.

Feinblum said the acquisition would provide Wayne with a much needed production facility to supply Cape-based customers.

The additional capacity would also assist in a rationalisation of Wayne's operations, and improve its

**MARC HASENFUSS**

cost effectiveness.

Rubber Products & Mouldings would retain its retail outlets, using the Rubber Products & Mouldings name.

In line with group strategy to develop fully autonomous divisions throughout the country, a restructuring of Wayne sees the formation of: Wayne Rubber Natal, Wayne Western Cape, Wayne Resin PE, Wayne Plastics Johannesburg, Phoenix Jacobs and Phoenix Apex.

Feinblum said benefits envisaged with the streamlining included regional production of all customer requirements and better utilisation of plant.

The Wayne Western Cape product range, which will include shoe components for holding company Conshu, will be complemented by existing products manufactured by Rubber Products & Mouldings.

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## Call for removal of tyre import controls

*B10am 5/4/91*  
THE Board of Trade and Industry (BTI) has called for the removal of the stringent import controls on tyres, a Department of Trade and Industry spokesman said yesterday.

The move is likely to encounter stiff resistance from the tyre industry. An industry spokesman said yesterday if import controls were lifted, severe pressure would be placed on local tyre manufacturers and there would be large-scale unemployment.

The quantitative import control prevents the large-scale importation of tyres into SA. Imported tyres would cost substantially less than tyres manufactured locally, motor industry sources said.

The tyre industry spokesman said the

MARC HASENFUSS

industry would come under pressure, not because local tyre manufacturers were uncompetitive but because they were forced to buy their raw materials locally at comparatively high prices. *APR 196*

The spokesman said although local manufacturers were reporting strong profit growth, much of the profit was put back into the business to ensure SA's tyres met international requirements.

BTI chairman Lawrence McCrystal said no representations had been received from local tyre manufacturers.

The department spokesman said no official decision had been taken.



# Outlook for BTR <sup>(16)</sup> better than average

BTR Dunlop's excellent track record is expected to be blotted by subdued performance this year.

Nonetheless, the group's financial strength and excellent management team are bound to ensure that results are satisfactory in the circumstances.

Not only is the economy in a severe recession, but major world economies are also looking depressed.

The BTR Dunlop group is involved in the manufacture and marketing of industrial, engineering, automotive and consumer products.

The focus is on products in which competitive efficiency requires a capital-intensive manufacturing process.

In the year to December, group turnover rose 11 percent from R631,8 million to R700,8 million.

In the annual report, managing director Clive Hooper attributes the decline in real sales to the recession in the building industry and a five percent reduction in new vehicle sales in 1990.

Due to the maintenance of the higher margins achieved in the second half of 1989, operating profit climbed 21 percent from R110,9 million to R134,3 million.

Interest expense more than doubled from R4 million to R8,8 million, which lowered the rise in pre-tax profit to 17 percent from R106,9 million to R125,4 million.

After a reduction in the effective tax rate from 32,1 percent to 30,2 percent and payment of the preference dividend, attrib-

Diagonal Street  
Sta 5/4/91  
LYNNE PEACH

utable profit increased 21 percent from R72,4 million to R87,4 million.

Mr Hooper says the effective tax rate is expected to increase gradually over the years to come as the capital expenditure allowances diminish.

Based on an increased number of shares in issue, earnings a share rose 20 percent from 310c to 372c.

The dividend for the year amounted to 165c, 18 percent — higher than the previous year's 140c.

The balance sheet is exceptionally strong, with cash in hand exceeding total borrowings by more than R5 million.

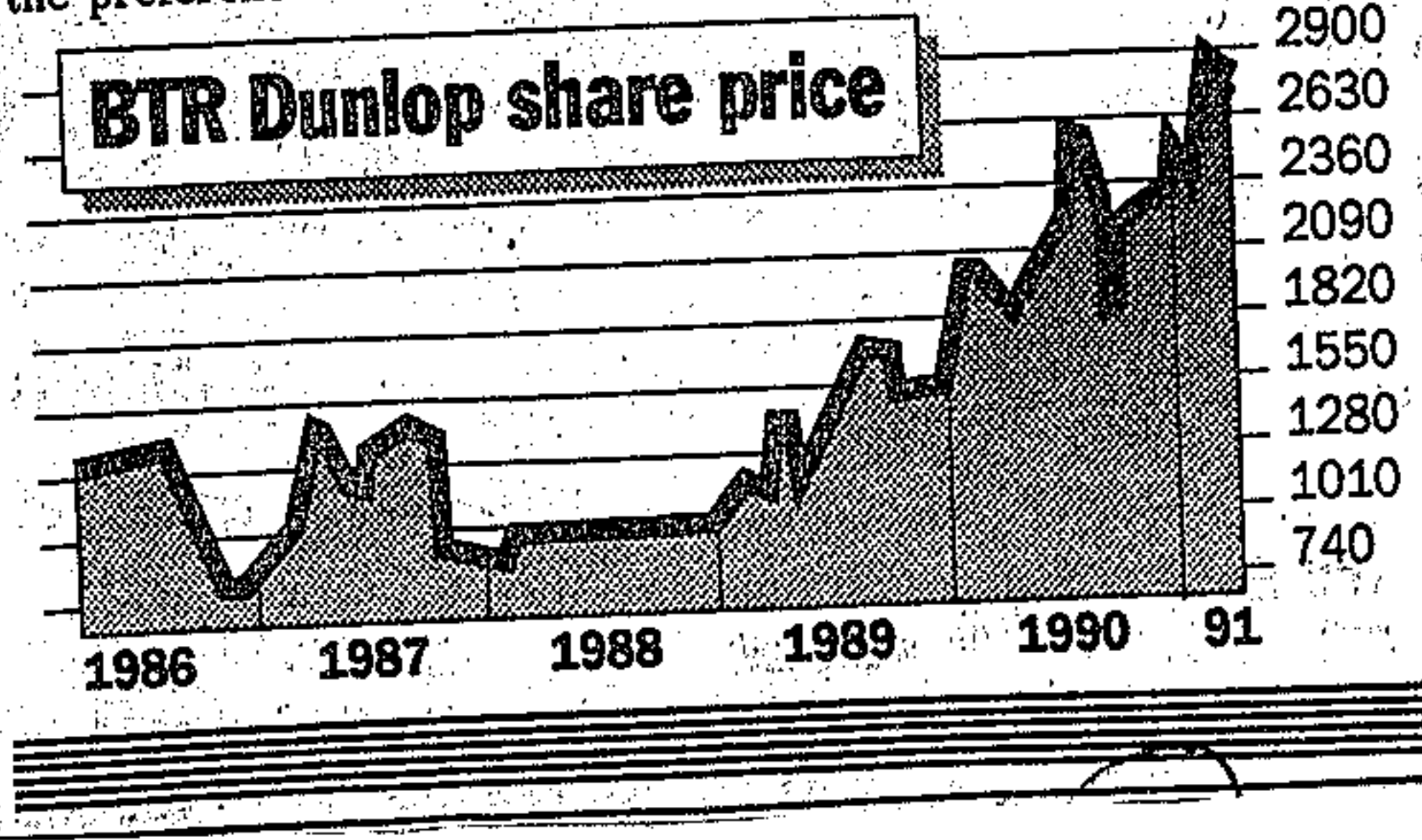
Net asset value appreciated 18 percent over the year from R11,37 a share to R13,43.

BTR Dunlop, priced at R27,75, is trading on a price:earnings ratio of 7,5 and provides a dividend yield of 5,9 percent.

The outlook for the group is better than average and for this reason the share is worth accumulating and holding on to for at least two years.

COMMENT: BTR Dunlop's share price has performed remarkably well, having risen from less than 900c three years ago to its current level of R27,75.

The positive trend remains intact and will be threatened only if the price falls below R24,50.



# 11 organisations make up the Motor Industries Federation of SA

Star 25/4/91. (92) (196)

Apart from the Tyre Dealers' Association (TDA), 10 other motor employer organisations are affiliated to the Motor Industries Federation of SA (MIF).

● Samta — the SA Motor Traders' Association — which represents the service station and non-franchise workshop industry.

● The TDA — whose membership made is up of the tyre retreading and retail industry.

● Nada — The National Automobile Dealers' Association — comprises franchise holders for new passenger and commercial vehicles.

● Savaba — the SA vehicle and Body Builders' Association — are companies that build vehicle bodies for commercial and passenger vehicles.

● Sambra — the SA Motor Body Repairers' Association — represents SA's panelbeating and spraypainting industry.

● The NMPEA or National Motor Parts & Equipment Association is made up of leading motor parts and equipment suppliers.

● Sadfia — the SA Diesel Fuel Injection Association — comprises major diesel fuel injection establishments.

● The MCIDA — Motorcycle Importers' and

Dealers' Association — represents dealers in new and used motor cycles and repairs.

● Acra — the Automotive Component Remanufacturers' Association — has a membership of clutch and brake component remanufacturers.

● The AEASA or Automotive Engineers' Association of SA comprises engineering establishments that recondition internal combustion engines.

● Namta — the National Agricultural Machinery Trade Association — has a membership of dealers in agricultural machinery.

## BTI urged to retain import controls on tyres

SOUTH African tyre manufacturers have urged the Board of Trade and Industry (BTI) to retain import controls on tyres until at least year end. ~~1975~~ (1976)

Last month the BTI called for the removal of the stringent quantitative controls on imported tyres.

SA Tyre Manufacturers' Conference spokesman Gert Fischer said yesterday the BTI had still not taken an official decision on the matter.

MARC HASENFUSS

He said there were a number of problems in the tyre industry that needed to be dealt with before the import restrictions could be lifted. *Bladem 15/5/91.*

Fischer said the current overproduction of tyres locally, the pending change to the export incentive scheme under Phase VI of the local content programme and tariff structure adjustments for imported tyres needed to be addressed.





# Gentyre expects to pull ahead

W & A Investment Corporation's strong-performing tyre and rubber subsidiary Gentyre Industries expects to increase earnings a share during 1991.

In the year to December 1990 Gentyre's earnings accelerated 58% to R68,8m (R43,6m) or 442c (280c) a share on the back of a 15% increase in turnover to R520m (R452m).

In his annual review, Gentyre chairman Terry Rolfe said the benefits of the group's capital expenditure over the last two years would begin to be felt in the current year.

Capacity constraints at the Port Elizabeth tyre factory would ease and opportunities existed for new products in Gentyre's Continental tyre range. In the past financial year demand for the group's passenger tyres exceeded supply.

Rolfe said Gentyre's industrial division was well positioned to take advantage of improvements in the

8/10am 22/5/91  
196  
**MARC HASENFUSS**

economy. But there would be more rationalisation of the group's industrial and high-pressure hose activities.

Gentyre Automotive Components (formerly Total Metbond Components) had proved a strategic acquisition, and Rolfe expected the reorganised division to make a contribution to profits this year.

## Concern

The acquisition of Aerotech Hydraulics strengthened Gentyre's position in the market for hydraulic hose and fittings distribution and enabled the group to enter the automotive market, where considerable growth was anticipated.

Gentyre's newly appointed CE Clive Tutton said the removal of import control on tyres in the foreseeable future was of grave concern to

the industry, especially when SA's productivity levels were compared to countries which could become major exporters to this market.

Tutton said export opportunities were investigated last year and with the easing of capacity constraints, tyre exports were set to grow.

The optimistic expectations by Gentyre directors are in line with motor industry analysts' forecasts.

Analysts believe Gentyre's low tax rate will allow it to lift earnings this year. They said Gentyre's tyre sales could be severely eroded if import controls on tyres were lifted this year.

Gentyre's sound financial performances over the past five years initially failed to attract investor interest, but the share has moved up from its R16,75 low in November last year to a R26 high at the end of April this year. The shares were untraded yesterday at R23,50.

## Gentyre expects higher earnings

JOHANNESBURG. — W & A Investment Corporation's strong-performing tyre and rubber subsidiary Gentyre Industries expects to increase earnings a share in 1991.

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23/8/91 (196) ~~196~~  
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Rolfe said Gentyre's industrial division was well positioned to take advantage of improvements in the economy. But there would be more rationalisation of the group's industrial and high-pressure hose activities. — Sapa



GENTYRE INDUSTRIES

# LOSING PRESSURE

FM 31/5/91

196

**Activities:** Manufacturer and distributor of natural and synthetic rubber products.

**Control:** FS Group.

**Chairman:** T Rolfe; **CE:** C Tutton.

**Capital structure:** 15,6m ords. Market capitalisation: R398,2m.

**Share market:** Price: 2 550c. Yields: 4,4% on dividend; 17,3% on earnings; p:e ratio, 5,8; cover, 3,9. 12-month high, 2 600c; low, 1 650c. Trading volume last quarter, 180 409 shares.

Year to Dec 31	'87	'88	'89	'90
ST debt (Rm) .....	—	24,0	4,1	—
LT debt (Rm) .....	3,7	—	—	—
Debt:equity ratio .....	n/a	n/a	n/a	n/a
Shareholders' interest .....	0,67	0,67	0,68	0,76
Int & leasing cover .....	12,6	13,9	n/a	n/a
Return on cap (%) .....	18,8	22,7	22,0	20,2
Turnover (Rm) .....	330	389	452	520
Pre-int profit (Rm) .....	39,9	56,2	63,3	64,1
Pre-int margin (%) .....	12,0	14,3	14,0	12,2
Earnings (c) .....	142,1	200,0	280,0	442,0
Dividends (c) .....	48	67	93	112
Net worth (c) .....	919	1 074	1 250	1 545



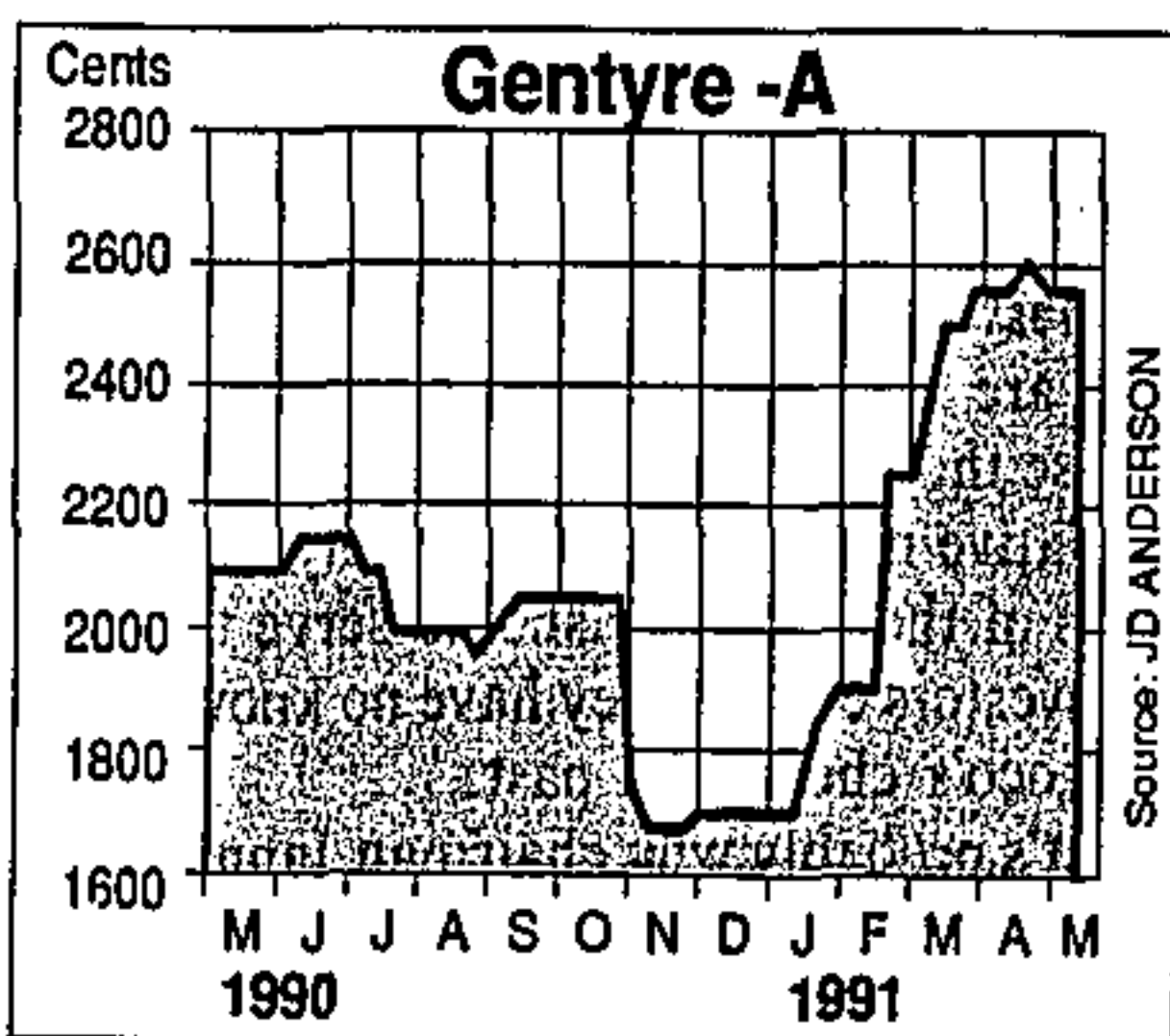
Gentyre's Rolfe ... capex benefits to come

It is only the large tax break that takes Gentyre's 1990 results from mundane operating profit to outstanding attributable earnings. The question that should be considered, is whether the bottom-line performance can be ascribed to good management or to luck.

Since 1985, the group has demonstrated enviable growth. Operating profit has increased at a compound annual rate of 26,9%, but attributable earnings have leapt by an annual 53% over the period. In the 1990 year, EPS was up by 58%. Small wonder, then, that the share price has moved from 650c in October 1987 to the current R24.

But the reason attributable earnings ballooned, despite the flat performance at operating level, was that no tax was payable in 1990. According to chairman Terry Rolfe, substantial investment and export allowances have followed in the wake of the large, on-going capital investment programme.

During the year, R44,7m of the cash available from operating activities was used to update, renew, improve and acquire additional fixed assets; these showed a R27m — or 40% — increase.



Rolfe points to two strategic acquisitions — Aerotech Hydraulics in the hydraulic hose and fittings distribution area, and Gentyre Automotive Components (formerly Total Metbond Components) — which together absorbed about R10m of cash flow. The rest consisted of capital expenditure on the in-house machinery manufacture process, and the machinery and equipment upgrade programme which, Rolfe says, will continue to absorb a major slice of cash flow for the foreseeable future.

The tyre division contributes 86% of group profit before interest and tax. In this segment, unit production increased by 3,5% over 1989 while tyre mass produced declined by 1,6%. This is because the passenger and light-heavy sectors of the market maintained sales momentum in 1990 while the heavy service, off-road and agricultural sectors declined. Much of the expenditure is aimed at increasing the present inadequate productivity, which is partly evidenced by the dramatic fall in margin.

Low productivity is not the only bugbear. Clive Tutton, MD of the tyre division, reckons the trends seen in the tyre market in 1990 are likely to continue this year "with, if anything, a further softening in the market overall". Inadequate volumes in the "heavy" sector will also affect margins, so it is a case of tightening management controls or facing further margin deterioration.

Despite a drastic cutback in the mining industry, particularly in the second half of the year, the industrial products division increased sales and profit. However, these were not enough to boost operating results materially and total operating profit edged

upwards by only 1,3%.

Unquestionably, given the elasticity of demand in the tyre industry (consumers of all descriptions make do with their existing tyres for a longer period in bad times than they would do in a buoyant economy), the depressed economy is curbing tyre sales.

But the impact on the industry of the future removal of import controls is cause for concern. Profitability of the major players will be affected. There is, however, no clarity on the detail or the timing of this.

Rolfe says benefits of the capex programme of the past two years will begin to filter through this year. But, he says, growth of operating profit will depend on a derived demand which is affected by the economy, and the behaviour of the work force — a factor that has become less rather than more predictable. While he will not be drawn on specifics, he says that only minimal tax will be payable this year. EPS may show some nominal growth but is unlikely to come close to the inflation rate.

The immediate growth run appears to have ended. To ascribe the company's five-year record to luck rather than good management would be out of place. But, for the present, it is difficult to consider the share attractive.

Gerald Hirshon

## AFRICAN LIFE FM 31/5/91

### FUNDING GROWTH

**Activities:** Life assurance and investment of funds derived therefrom.

**Control:** Southern Life Association 78%.

**Chairman:** A H Arnott; **MD:** W A Jack.

**Capital structure:** 56,8m ords. Market capitalisation: R119m.

**Share market:** Price: 210c. Yields: 4,7% on dividend; 7,3% on earnings; p:e ratio, 13,7; cover, 1,6. 12-month high, 230c; low, 130c. Trading volume last quarter, 700 000 shares.

Year to March	'87	'88	'89	'90
Shareholders' int (Rm)	14,5	16,5	47,9	55,1
Life fund (Rm) .....	78,6	101,6	124,1	125,5
Investments (Rm) ....	90,1	111,1	160,1	172,4
Premium income (Rm)	25,3	35,1	49,9	66,2
Invest income (Rm) .	5,1	6,7	11,2	15,0
Earnings (c) .....	6,30	7,88	12,30	15,3
Dividends (c) .....	4,20	6,30	7,90	9,8

African Life must rank as one of the more successful listings of recent years. Since the flotation on November 15, the price has increased from 130c to 210c; the company has continued its expansion and the disclosed earnings and the dividend were ahead of those forecast in the prospectus.

This maintains a growth rate that has been high for some time. After rising last



**Quality Tyre sale  
speculation rife**

*Blown*  
*12/6/91*  
MARC HASENFUSS *(176)*

SPECULATION is rife that Malbak's tyre distributor, Quality Tyre, is about to be sold to a major tyre manufacturer.

Analysts said tyre manufacturer Firestone would be the most likely buyer following last year's merger of Tycon (formerly Good-year) with Trencor and Long-mile's jointly owned tyre retailer Tredcor. Quality Tyres, the second-largest new tyre distributor and retreader in the country, is back in the black after being placed under liquidation.

Malbak executive chairman Grant Thomas said negotiations with various parties had been under way for some time, but no agreements had been reached yet.

## Bid to break tyre industry deadlock fails

<sup>B.V. von Lieres</sup>  
EMPLOYERS and unions in the tyre industry failed to resolve a deadlock in wage talks at a meeting of the newly formed Tyre Manufacturing Industrial Council in Port Elizabeth this week.

National Union of Metalworkers (Numsa) negotiator Les Kettledas said in a statement yesterday the parties had met in an effort to settle disputes over pay increases and conditions of employment.

Kettledas said Numsa — which has more than 8 000 members in the industry — declared a dispute with tyre industry employers early last month

<sup>10/7/91</sup>  
**VERA VON LIERES**

and decided to ballot its members after the union's third national congress on June 20. (196)

The other union involved in tyre talks, the white Yster en Staal Mynwerkersunie, also declared a dispute with the Tyre Manufacturers' Employers Association.

Employers offered between R1,10 an hour extra for unskilled workers and R1,25 for higher paid workers. Numsa has demanded a R1,50 across-the-board increase or 20%, whichever is the greater.

# Trade in Gentyre may mean deal in the offing

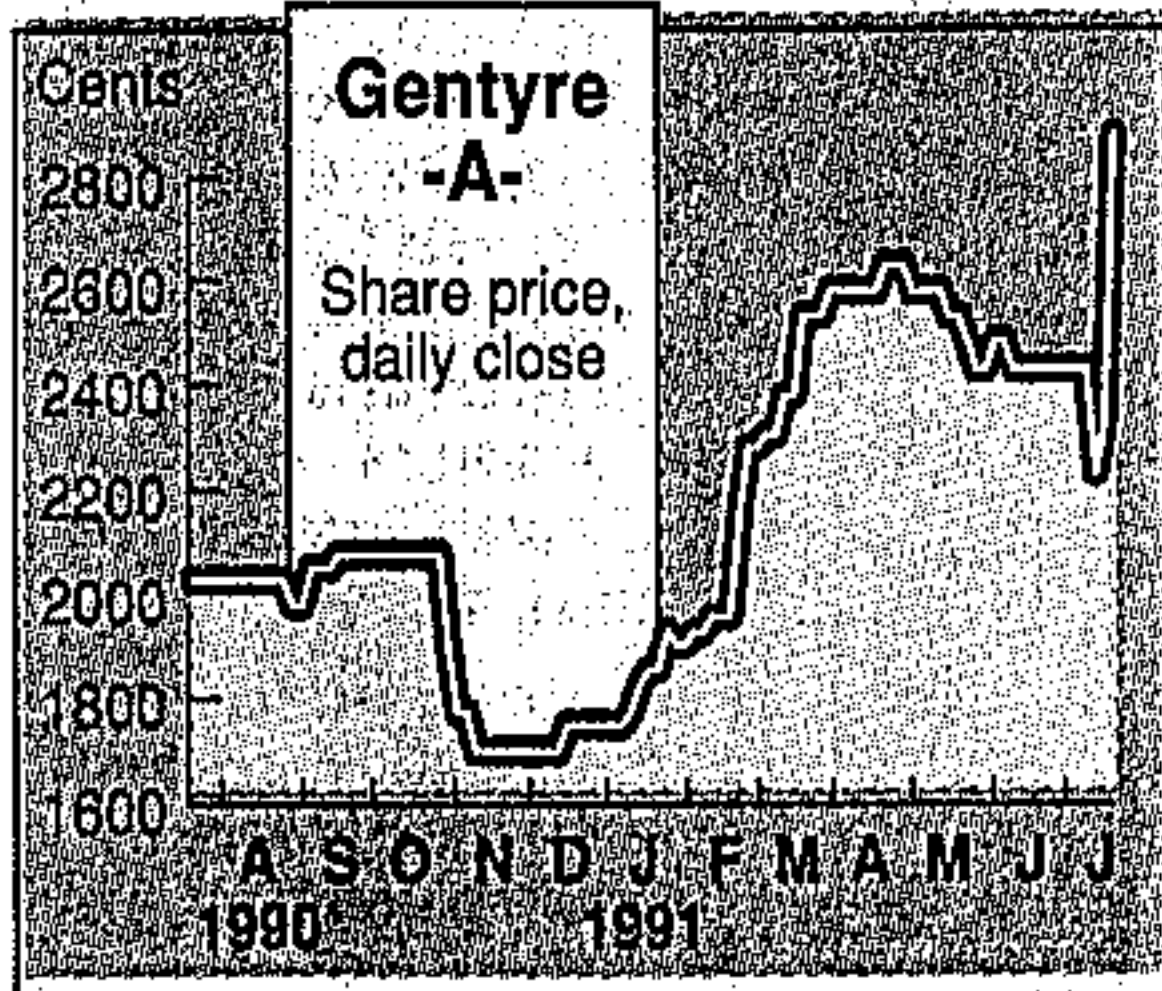
196

Biday 22/7/91

MARC HASENFUSS

STRONG price rises last week in Gentyre Industries shares fuelled market rumours that holding company W & A Investments could be selling part of its 67% stake in a bid to reduce its debt burden.

Gentyre A and B shares have seen heavy trading recently, and have accelerated from R22 a week ago to close at highs of R29,50 and R28,50 respectively on Friday.



Graphic: FIONA KRISCH Source: I-NET

A Gentyre source said he was aware of negotiations taking place but would not disclose further details.

Analysts felt a deal was in the offing with the share looking overpriced and overtraded. Despite Gentyre's strong profit performance, the share did not warrant the surge in investor interest, they said, adding potential investors would be cautious as the group's zero tax rate could not be sustained for more than two years.

With the recognition of permanent differences arising from 1989's group restructuring, Gentyre's tax bill was reduced from R23m to a R203 000. This helped the group to boost earnings 58% to R68,9m (R43,6m) for the year to end-December.

Industry sources doubted whether W & A would relinquish its interest in the star performer.

However, one analyst said that if W & A intended reducing its heavy debt load, then "the jewels would have to be sold off because it is impossible to sell underperforming subsidiaries at the required price on the market today".



# Ongoing strike hits supply of new tyres <sup>182</sup>

By Helen Grange <sup>Star</sup>  
Pretoria Bureau 13/8/91

A shortage of new tyres for certain passenger vehicles has resulted from an ongoing strike in the tyre industry, tyre companies said yesterday.

The three-week strike, coupled with the resumption of production in the car manufacturing industry last week after a lengthy work stoppage, means tyre companies are unable to meet the demand by car manufacturing plants which are working overtime to make up

for lost production.

Talks to end the strike have been referred to mediation following a meeting at the weekend between the New Tyre Manufacturers Association, the National Union of Mineworkers of South Africa and the South African Iron and Steel Workers Union.

The strike at Firestone, Gentyre Industries and Tyrecon — formerly Goodyear — began on July 22.

Dunlop is unaffected, and according to a spokesman, the

company is not experiencing any shortage. <sup>196</sup>

"The Government's ~~per~~ <sup>181</sup> permission to allow imported tyres into the country is killing the local industry, which is overstocked at the moment," the spokesman said.

However, Gentyre (General Tyres) and Tyrecon (Goodyear) have reported that there is a shortage of tyres for certain passenger vehicles while larger tyres are in good stock.

Industry sources maintained that tyre shortages were far from being critical.

# Mediators called in to resolve tyre strike

ARC 13/8/91  
SHARON SOROUR  
Labour Reporter



NEGOTIATIONS to end the three-week nationwide strike by about 5 000 workers in the tyre industry are set to continue today.

Mediators from the Independent Mediation Services of South Africa (Imssa) have been called in to resolve a stalemate between workers and employers on retrenchments and wage increases.

Hourly-paid workers at three companies — Tycon (formerly Goodyear), Gentyre Industries and Firestone — downed tools on July 22 over wages and working conditions.

Employers, represented by the New Tyre Manufacturers' Employers' Association, met officials from two unions party to the talks — the National Union of Metalworkers of South Africa (Numsa) and the South African Iron and Steel Workers' Union — at the Tyre Industrial Council in Port Elizabeth on Sunday.

Numsa spokesman Mr Les Kettledas said serious efforts were being made to resolve the strike.

Firestone spokesman Mr Phillip Nel said about 1 200 workers from the company were involved.

He said workers were demanding a wage increase of R1,50 an hour. Employers were offering an increase of R1,15 an hour.

This was split into the higher of R1,05 or 13 percent now and an extra 10c in December linked to productivity.

# Imports tread on BTR Dunlop 196

By Sven Lünsche *Star 15/8/91* ing imports.

The liberalisation of tyre imports has adversely affected the results of tyre manufacturer BTR Dunlop.

In the first half of this year earnings per share fell from 130c to 117c on the back of a three per cent decline in sales to R325,4 million (R336,6 million). The interim dividend was maintained at 60c a share.

Managing director Clive Hooper says that imports of car and truck tyres have increased substantially as a result of the government's policy of liberalis-

"High levels of imported secondhand tyre casings for retreading further reduced the demand for locally manufactured replacement tyres," he says.

However, he says he would welcome the abolition of all import controls on tyres if it coincided with the abolition of import controls on industrial rubber products, as this would ensure competitiveness throughout the chain of manufacture.

The government had already announced its intention to withdraw the 27-year ban on importing two key raw materials for the

industry and would also introduce new anti-dumping measures.

Mr Hooper says that apart from the competition from tyre imports, results continued to be depressed by the slowdown in the economy.

BTR's finance costs almost doubled in the first six months to R5,4 million (R2,8 million) reflecting a reduction in current liabilities and an increase in inventories. The group's three year R100 million capital expenditure programme was on schedule and would be completed over the next 12 months.



# Imported tyres let the air out of Dunlop's performance

B1 Day 15/8/91

196

THE easing of government's restrictions on imported tyres deflated BTR Dunlop's interim earnings in the six months to June 1991.

MD Clive Hooper said imports of car and truck tyres had increased substantially because of the government's policy of liberalising imports.

Furthermore, large numbers of imported second-hand tyre casings for re-treading further reduced the demand for locally manufactured tyres.

The group's Dunlop tyre division has an estimated 25% sales share in the local tyre market.

Earnings for the industrial and consumer rubber product manufacturer slipped 10% to R27,5m (R30,5m) or 117c (130c) a share on the back of a drop in turnover to R325,4m (R336,6m).

Hooper said the 3% drop in sales represented a real decline of 13%, but profits over the same period had

## MARC HASENFUSS

dropped only 10% due to timeous cost reduction programmes and short-time working in the factories.

The dividend was maintained at 60c, covered 1,9 (2,1) times.

Hooper said government had now announced its intention to withdraw the 27-year ban on the importation of two key raw materials and would also introduce anti-dumping measures.

"If synchronised with the intention to abolish the remnants of import control on tyres and industrial rubber products, this will ensure competitiveness throughout the chain of manufacture."

Financing costs almost doubled to R5,4m (R2,8m) as borrowing soared to R51,7m (R26,3m) in line with the reduction in cur-

rent liabilities and increase in inventories.

Gearing for the period under review is 20,5%.

Hooper said BTR Dunlop's three-year, R100m, capital expenditure programme was on schedule and would be completed over the next 12 months.

While most sections of the group were affected by the continuing recession, BTR Dunlop was well positioned to take advantage of improved trading conditions, Hooper said.

Besides tyre, tubing and industrial belting, BTR Dunlop manufactures and markets sporting goods, carpets, vinyl flooring, mattresses, locking systems and rail fasteners.

BTR Dunlop shares eased 25c to R35,25 yesterday on the news of the results. The share peaked at R37,50 in July. It hit a 12-month low of R18 in September.

## Tyre strike: Parties revise proposals

SHARON SOROUR  
Labour Reporter



ARG 16/8/91

Industries and Firestone downed tools  
on July 22.

EMPLOYERS and unions embroiled in the three-week nationwide tyre industry strike have given revised proposals to their constituencies.

The parties agreed to mediation at a special industrial council meeting in Port Elizabeth at the weekend.

Mediation aimed at settling the dispute ended after nearly 15 hours of negotiating early this week.

About 5 000 hourly-paid workers at Tycon (formerly Goodyear), Gentyre

The dispute between the New Tyre Manufacturers' Association and the National Union of Metalworkers of S A with the S A Iron and Steel Workers' Union — centred on wages and a moratorium on retrenchments.

Independent Mediation Services of SA mediator Mr Mark Anstey said both parties were reporting back on wages, job grading, a moratorium on retrenchments, training and the viability of the industry.

# Strike 'will not disrupt tyre supplies'

THE month-long strike by 8 000 workers at eastern Cape tyre plants would not cause new tyre supply shortages or leave the industry more vulnerable to the influx of imported

B/Doc 21/8/91

MARC HASENFUSS

tyres, tyre industry sources said yesterday.

Strike action, which ended last week, disrupted production at Gentyre and Firestone plants in Port Elizabeth and the Tycon (formerly Goodyear) plant in Uitenhage. Dunlop, which is not party to the National Bargaining Forum, was not affected.

Sources said that demand for new car, truck and industrial vehicle tyres had declined in line with the slump in new vehicle market.

Tyre Manufacturers Conference chairman Gert Fischer said the inventory position of most tyre manufacturers was sufficient to fill orders from existing stock in the short-term.

Tyre industry sources said the strike action would result only in minor shortages in certain tyre makes.

One source said the in-

dustry was overstocked and the work stoppages benefited tyre makers in that excessive stock levels could be reduced.

Limited production was maintained at most plants throughout the strike and groups used small production runs to bolster stock levels in tyre ranges that were in short supply.

This would prevent cheaper imported tyres from gaining a firm grip on SA's tyre market.

← ←  
B Com - 2:00 PM  
Electronics



## Downturn shrugged off

BRENT VON MELVILLE

196

WAYNE Manufacturing has managed to shrug off the recession in its mining and industrial markets to post a real increase in earnings to 15,2c (13,0c) a share for the year to end-June.

(Earnings were up 17% to 15,2c (13c) off attributable income of R9,2m (R7,9m), and the dividend was moved up to 6c (5,2c). At its current share price of 90c, the results put the group on a p:e of 5,9 times and a dividend yield of 6,7%.)

The manufacturer of industrial rubber and PVC products saw turnover up 17% to R129,8m (R110,6m), while income before taxation moved up 27,5% to R13,5m (R10,6m). The company's tax rate increased from 25% to 31%, attributed to the application of the partial method of deferred tax.

On the balance sheet, long-term borrowings almost doubled to R1,2m from R641 000, although the group is still at an extremely low level of gearing. Chairman Robert Feinblum said the level provided a positive base for expansion.

# Mandela at 'Mandela involved in other kidnaps'

# Winnie Carse

Swanepoel 19/11/3/19/11

IN yet another dramatic turn in Mrs Winnie Mandela's kidnap and assault trial, the State yesterday applied to lead more evidence that she was involved in two other kidnapping incidents in 1988.

In one incident, it is alleged a victim was never seen again after he was assaulted at her Diepkloof Extension home.

Counsel for Mandela, Mr George Bizos, fiercely opposed the application brought by prosecutor Mr Jan Swanepoel, SC.

He accused the State of introducing such evidence to prove its case against Mandela. Bizos said evidence of similar allegations which Mandela is not charged with, would not be

relevant to the case but would be highly prejudicial to his client.

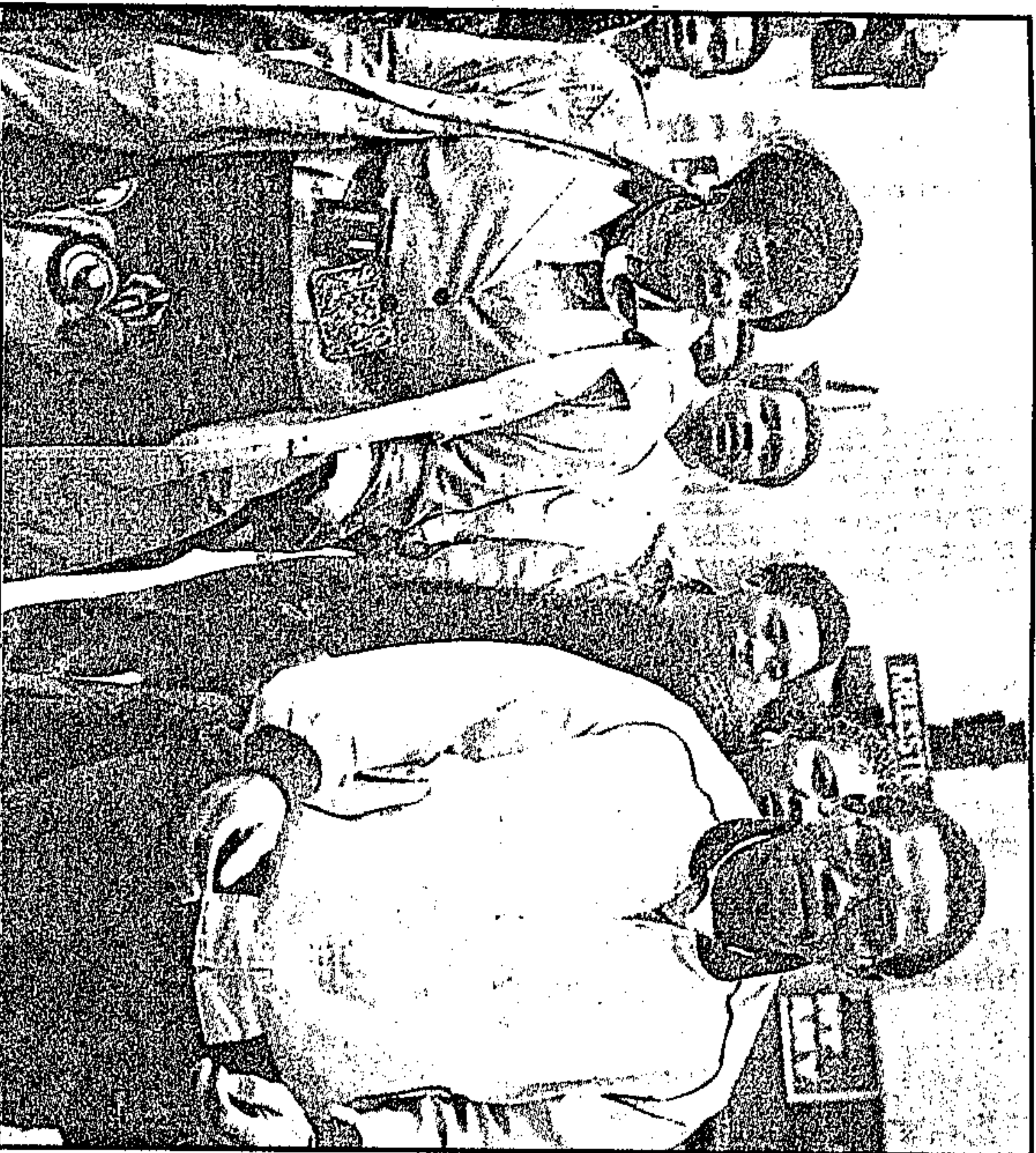
Swanepoel proposed to lead similar evidence of two alleged kidnappings in which a group of people, including Mandela, kidnapped three people in two separate events two months before the alleged offences in the present case were committed.

In an incident alleged to have taken place on November 13 1988, a 21-year-old victim was allegedly assaulted at Mandela's house in Diepkloof. He was never seen again.

On September 26 1988, two people were allegedly kidnapped from their homes by a group

● To Page 2

BY SONTI MASEKO



Mrs Winnie Mandela seen leaving the Rand Supreme Court with her bodyguards and supporters yesterday.

Pic: SELLO MOTSEPE

# WORKERS

# HASTER Socks

T.C.B.

Twinpack  
200 ml + 200 ml  
R5,99  
each

SPECIAL VALUE OFFER

Principal  
Gel/Spray  
250 ml  
R5,99  
each



Respectable <sup>196</sup>

## year at Wayne

Conshu subsidiary Wayne Rubber had a respectable year to June and has reported net profits up by 16,9 per cent.

The company reported that attributable profits for the period were R9,2 million compared to 1990's R7,9 million. Earnings per share were 15,2c(13c) and a final dividend 4,25c was declared (3,7c). The total dividend payout for the year was 15,4 per cent up at 6c (5,2c). *Star 21/8/91*

It is covered 2,5 times.

A substantial improvement in operating efficiencies resulted in a 17,3 per cent increase in turnover to R129,8 million (R110,6 million).

The tax rate rose from 25 percent (R2,7 million) to 31 percent (R4,2 million). The increase was as a result of the application of the partial method of deferred taxation.

Long term borrowings nearly doubled during the year, from R641000 to R1,2 million.— Sapa.



CONSOL FM 30/8/91

## Firing all round

~~196~~ 196

Latest Consol results provide further proof of the endurance of consumer spending. The packaging and rubber group increased earnings for its year to end-June by 23%, despite an increase in the effective tax rate from 37% to 46%. The share price has more than doubled over 12 months, and is trading at a high of 3 950c.

The 1990 results were particularly strong because the business of Goodyear (now Tycon) was included for the first time, and rereader Tredcor was included for the second half. So apart from the full contribution of Tredcor in the year under review, these results are on a like-with-like basis.

The core packaging business again had a solid year, with sales up 15% and operating profit up 21%. Group MD Piet Neethling points out that the group had disposed of interests in flexible plastics and bags and sacks, which reduced sales growth. Volume growth on the retained business was about 7%. The beer and soft drink markets have remained the engine for growth in glass, and the corrugated division picked up market share from Nampak, which suffered from a prolonged strike.

Tycon, which had been torn by a long strike in the previous year, regained market share, leading to a 107% increase in rubber operating profit, to R144,3m. But packaging continues to provide a healthier operating margin of 18,6%, compared with 12,7% in

### STRONG PACKAGE

Year to June 30	1990	1991
Turnover (Rbn) .....	1,55	2,07
Operating profit (Rm) ....	215	319
Attributable (Rm) .....	101	124
Earnings (c) .....	157,7	194,3
Dividend (c) .....	45	55

continue -

FOX FM 30/8/91

rubber products.

~~196~~ 196

Consol is now contemplating holding a rights issue. After another fine set of results, Neethling believes it is a good time to come to the market.

He says the group does not have any major acquisitions planned, but it would like to wipe out its borrowings of R160m and R50m of preference shares. Even now, gearing is respectable at 35%, with R86m of goodwill excluded from shareholders' funds.

Neethling says that Consol and its major shareholder, Anglovaal Industries, still have to decide on the size of the rights offer and the instruments which will be used; but AVI is anxious not to dilute its 56% holding. Meanwhile, Consol shares are not cheap. They offer an earnings yield of 4,9% and a dividend yield of 1,4%.

Phasing out of protection is a cause for concern. It has sought protection from imported glass tableware from the Far East, but is adapting its product range to meet the challenge.

Chairman Clive Menell says the group supports import permits on tyres, as tyre manufacturers are unable to buy raw materials at world prices, and because of the higher manufacturing unit costs in SA. The liberalisation of trade policy may have a negative impact on group earnings. But Consol is largely dependent on the buoyant markets for beverages and fast moving packaged goods. If, for example, Pepsi Cola enters the market, there could even be increased demand for Consol's glass and plastic bottles.

Stephen Cranston

TRENCOR <sup>FM</sup> 30/8/91

**Beating forecasts**

196

At a time when both the national economy and world trade have softened, it could be expected that a local organisation with a foot in both camps would report a fall-off in demand and profit growth. Not so Trencor. Once again, chairman Neil Jowell has demonstrated his operation's resilience and ability to turn adversity to advantage.

In the past 11 years, despite a hiccup in 1983 when EPS fell to 52c from the previous 74c, EPS has grown by a remarkable compound rate of 64,9% a year. Over the past seven years, from a much larger base, the figure is reduced to 39%. But it would have been too much to expect that this could be maintained in the current environment.

Traditionally conservative, at half-time Jowell indicated that earnings growth would top inflation by about 5%, to amount to 20% (*Fox* February 22). Hence 28,5% EPS growth shown in preliminary results for the year ended June 30, from after-tax earnings above R100m for the first time, outstrips even the most optimistic analysts' forecasts, ranged between 20%-23%.

Turnover grew by just 5,6% because of a change in sales mix after Treadcor's tyre interests were merged with Goodyear to form Contread.

Jowell says 1991 was again highly successful for both the locally based container export operation and foreign trading enterprises. With the dollar/rand ratio more or less steady for most of the year, little contribution came from a declining currency.

As usual, Jowell won't disclose the nature of foreign-based operations, but is more forthcoming about local trade. Transport, which now accounts for under 10% of pre-tax income, improved only marginally. Growth did not keep pace with inflation. Nor for that matter did the motor trade division, which nevertheless is still profitable, says Jowell. On the tyre side, he says, pre-tax income in rand terms was similar to the previous year.

Evidently, the profit contribution from domestic activities, static in rand terms, is declining in percentage terms, while that from foreign operations more than compensates. Jowell also reports that the balance sheet (not yet published) indicates that the company is more liquid but with no dramatic year-on-year differences.

For the year ahead Jowell expects that operating profits from foreign operations will continue to improve and that a weakening rand will help this trend. He sees the contribution of domestic operations falling until the economy recovers.

A final dividend of 125c (100c) brings the

total for the year to 160c and places the share on an historical yield of 1,9% at a price of R84. The p:e ratio falls to 11,4 from 13,6 before the results were released.

Some commentators feel the market is overpriced; that, at best, it will tread water for some time, but is more likely to weaken. But with Trencor continuing to produce results as it has for so long, it is difficult to see many shareholders selling if they are long-term investors, especially since a p:e under 12 is not high for a counter of this quality.

Unless unforeseen matters change growth prospects materially, Trencor must remain one of the most attractive investments on the market. Any weakness in share price should thus be used as a buying opportunity.

Mobile, which holds 48% of Trencor and 74% of Mobile Acceptances, has declared EPS of 180,8c (141,3c). A final dividend of 32,4c (26c) brings the total for the year to 40,6c (33c).

Gerald Hirshon



CONSOL

# Extending the product range

FM 6/9/91. ~~198~~ 196

**Activities:** Manufactures glass, plastic and paper packaging and glass tableware. Manufactures tyres and has tyre retreading interests.

**Control:** Anglovaal Industries 55,7%.

**Chairman:** C S Menell; MD: P J Neethling.

**Capital structure:** 64m ords. Market capitalisation: R2,56bn.

**Share market:** Price: 4 000c. Yields: 1,4% on dividend; 4,9% on earnings; p:e ratio, 20,3; cover, 3,5. 12-month high, 4 000c; low, 1 850c. Trading volume last quarter, 171 000 shares.

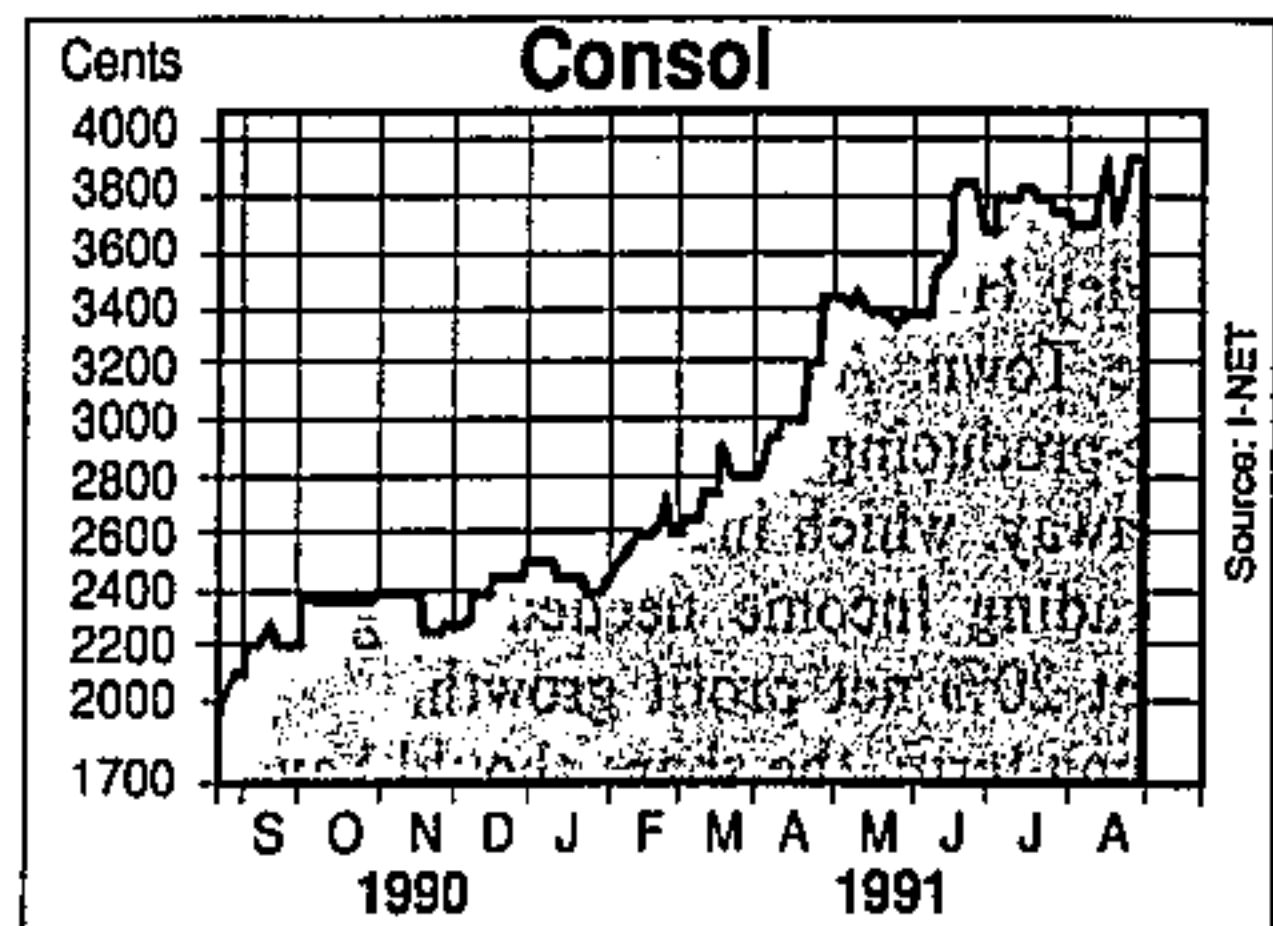
Year to June	'88	'89	'90	'91
ST debt (Rm) .....	3,7	7,5	21,9	22,9
LT debt (Rm) .....	18,2	63,2	144	136
Debt:equity ratio .....	—	—	0,67	0,51
Shareholders' interest .....	0,46	0,44	0,34	0,40
Int & leasing cover .....	51,0	—	7,8	10,3
Return on cap (%) .....	24,9	23,5	24,3	31,4
Turnover (Rm) .....	637	738	1 556	2 071
Pre-int profit (Rm) .....	96	121	215	319
Pre-int margin (%) .....	15,1	16,4	13,8	15,4
Earnings (c) .....	81,5	102,3	157,7	194,3
Dividends (c) .....	27	33	45	55
Net worth (c) .....	280	352	314	453

**Consol describes** the year to end-June as one of consolidation after the acquisition in the previous year of the major tyre interests, Goodyear and Tredcor. Focus last year was centred on marketing and new products.

Though Consol is in mature industries, its share has held the highest rating in the packaging sector, owing partly to successful product development. The glass packaging division alone launched 13 new products. The returnable bottle remains the most popular beverage package and Consol launched a 1,5l PET plastic returnable bottle for National Beverage Services. In tyres, the Eagle Two Star was relaunched and a locally manufactured range of Wrangler recreational tyres were also launched.

Consol has been fortunate to have key customers in the buoyant beer and soft drinks industries but it also trades in markets which are far from easy. Among the latter are the declining corrugated sector, the highly competitive flexible plastics industry and the motor industry.

These developments have all taken place without an undue strain on either capital expenditure or working capital require-



Consol's Neethling ... predicting more profit improvement

ments. Consol last year invested R78,1m in capex, including a R20,3m expansion of rubber mixing capacity and of capacity for large truck tyres. Most of the R15m earmarked for the PET plant to produce the new returnable bottle was spent.

Tight working capital targets were met, except in Tycon, where the finished goods stocks exceeded targets by R16,1m. Sales of commercial and off-road tyres were disappointing in the second half. Group stocks grew by a quarter, but if Tycon's excess level is excluded stock would have increased by 19% compared with sales growth of a third. This is a notable achievement considering the destocking by customers, particularly in paper and glass tableware.

The rubber division is larger in both sales (R1,13bn or 55% of the total) and in net assets (R473m or 60%). Packaging, however, still provides 55% of operating profit. Moreover, 39% of Tredcor is held by minorities who enjoyed R24,6m of Consol's R155,8m after-tax profit. This was more than double the R10,3m attributable to minorities in the previous year.

As a steady spender on capital expenditure, Consol enjoyed sizeable tax breaks from the former allowances for depreciation. In the year of acquisition, the group was able to write off half of its investment on plant and machinery in the first year. Reduction of this to 20% was the main reason why Consol's effective tax rate increased from 37% to 46%. It is now unlikely to increase further, so the tax rate should not further impede earnings growth.

Group MD Piet Neethling is predicting an improved profit performance, which looks likely on past form. Apart from a small dip in 1986, EPS has grown solidly over seven

years, increasing 450% in that time. The impending rights issue (Fox August 30) will dilute EPS, but at the present market price of R40, an issue for R200m would have a dilution of less than 8%. With Consol trading at almost nine times tangible NAV, it looks a good time to come to the market. There are strong reasons for shareholders to follow their rights and clearly Anglovaal Industries has no intention of diluting its stake.

Consol continues to test new highs. At R40, and even at demanding yields of 4,9% for earnings and of 1,4% for earnings, the share should be accumulated over time.

Stephen Cranston

GENBEL FM 6/9/91

## Cash rich

**Activities:** Long-term investor, holding portfolio of investments mainly in SA mining and resource industries. Also manages a trading portfolio and controls significant mineral rights.

**Control:** Gencor 49,98%; Sanlam 9,41%.

**Chairman:** T L de Beer; MD: A D Botha.

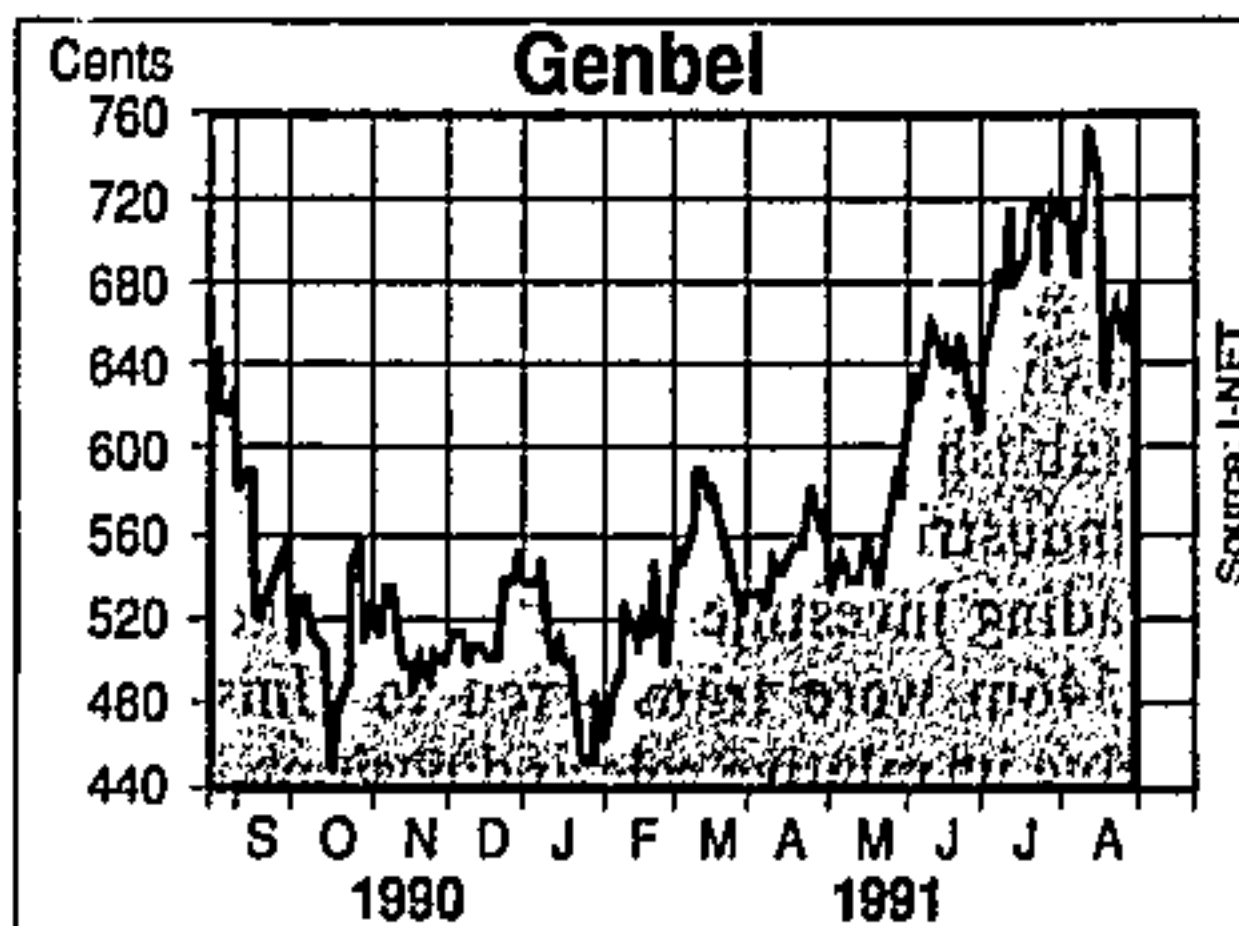
**Capital structure:** 432,3m ords. Market capitalisation: R2,85bn.

**Share market:** Price: 660c. Yields: 4,9% on dividend; 4,9% on earnings; p:e ratio, 21; cover, 1,0. 12-month high, 750c; low, 450c. Trading volume last quarter, 4,7m shares.

Year to June	'88	'89	'90	'91
Investments (Rbn) ...	1,64	2,53	3,64	3,03
Net income (Rm) ....	128	100	157	415
Earnings (c) .....	25,1	25,9	28,8	32
Dividends (c) .....	25	26	27,5	32
Net worth (c) .....	458	664	785	740

**Refocusing** of Genbel's interests has continued and both distributable earnings and the dividend grew roughly in line with inflation in the 1991 year, though the NAV was slightly lower at year-end. After reorganisation of the portfolio, liquidity has risen sharply. There was a cash balance of R324m at June 30, while net current assets have swung from the previous year's net indebtedness of R252m to a positive R173m.

Chairman Tom de Beer says the growth in





# Longmile feels heat of tax and recession

MARC HASENFUSS

RECESSIONARY conditions, exacerbated by a heavy tax bill and intense competition, caused a sharp drop in earnings for diversified industrial group Longmile.

Longmile directors said the level of earnings was anticipated and was in line with predictions made at the interim stage. Attributable earnings fell 37% to R15,2m (R24,2m) or 30,4c (48,3c) a share on the back of a 12% decline in turnover to R352,7m (R402m) for the year to end June.

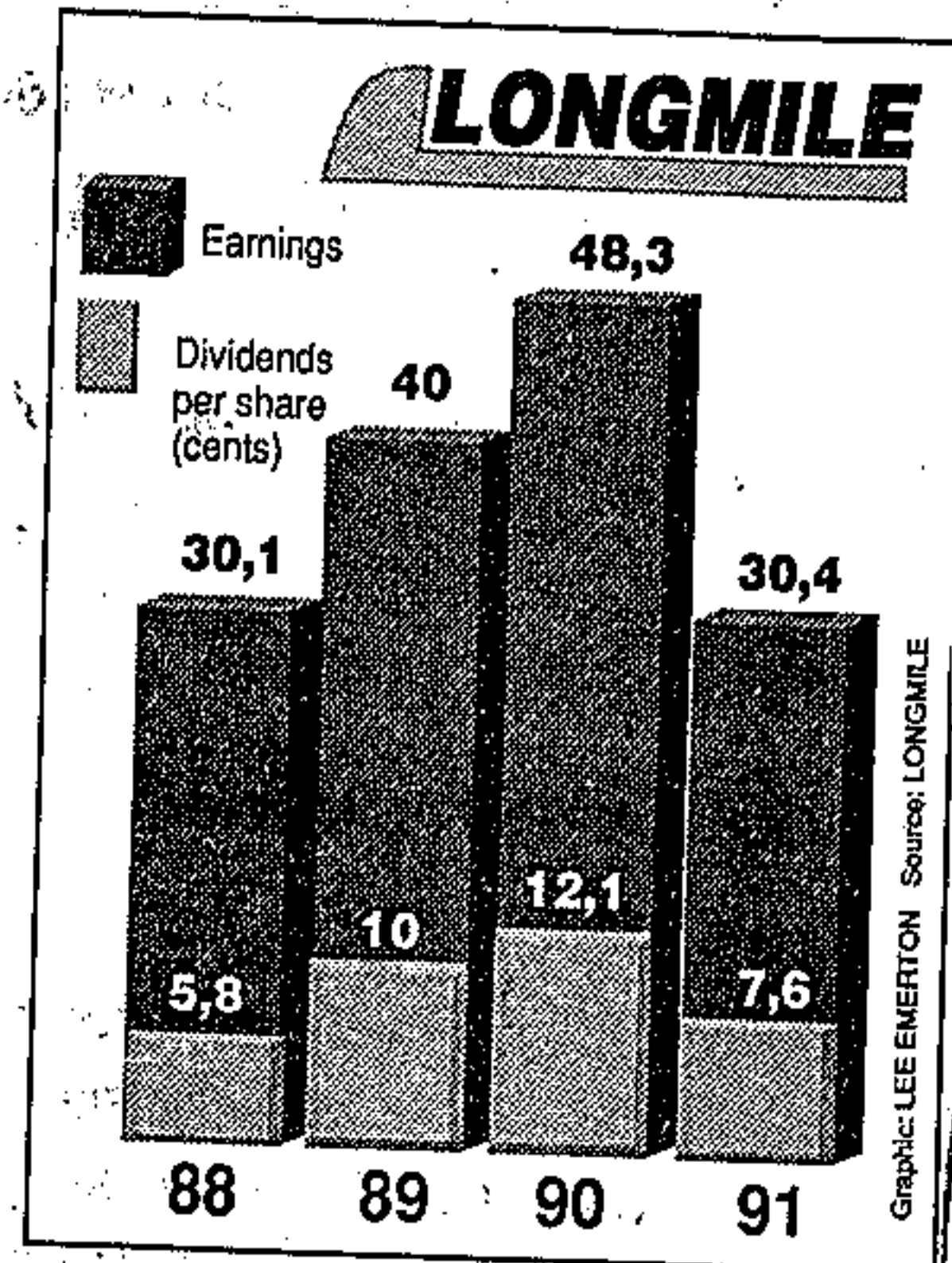
Earnings were to some extent the consequence of an increase in taxation and continued intense competition in the marketplace, directors said.

They said the increase in taxation reflected reduced tax allowances available for utilisation.

The directors added that Longmile's 12-month period of consolidation had better positioned the group to weather the remainder of the economic downturn and they anticipated an improvement in earnings in the year ahead.

The total dividend payout was slashed to 7,6c (12,1c) a share while keeping with group policy of maintaining dividend cover at four times.

Longmile passed its interim dividend in order to fund capital expenditure aimed at



strengthening its capital base.

Better margins allowed the group to limit the reduction in income to 7% at operating level. Operating profit came in at R41,4m (R44,2m) but was offset by 57% increase in taxation to R13,3m (R8,5m).

Longmile's share was untraded at 210c yesterday, below its March peak of 225c.

Longmile's main operating divisions include Silencer Services, Utility Fasteners, Trentyre and Mastertreads.

# Export promotion a threat <sup>196</sup> Consol

WILLIAM GILFILLAN

SOME of Consol's investments were threatened by government's perception that SA should compete more on open world markets, chairman Clive Menell said in his 1991 annual report.

He noted that government placed particular emphasis on promoting exports while allowing a greater unregulated flow of imports.

"This holds potential negative consequences for existing manufacturing industries and current employment levels.

"The effect on the tyre and glass tableware businesses is of great concern to the Consol Group," Menell said.

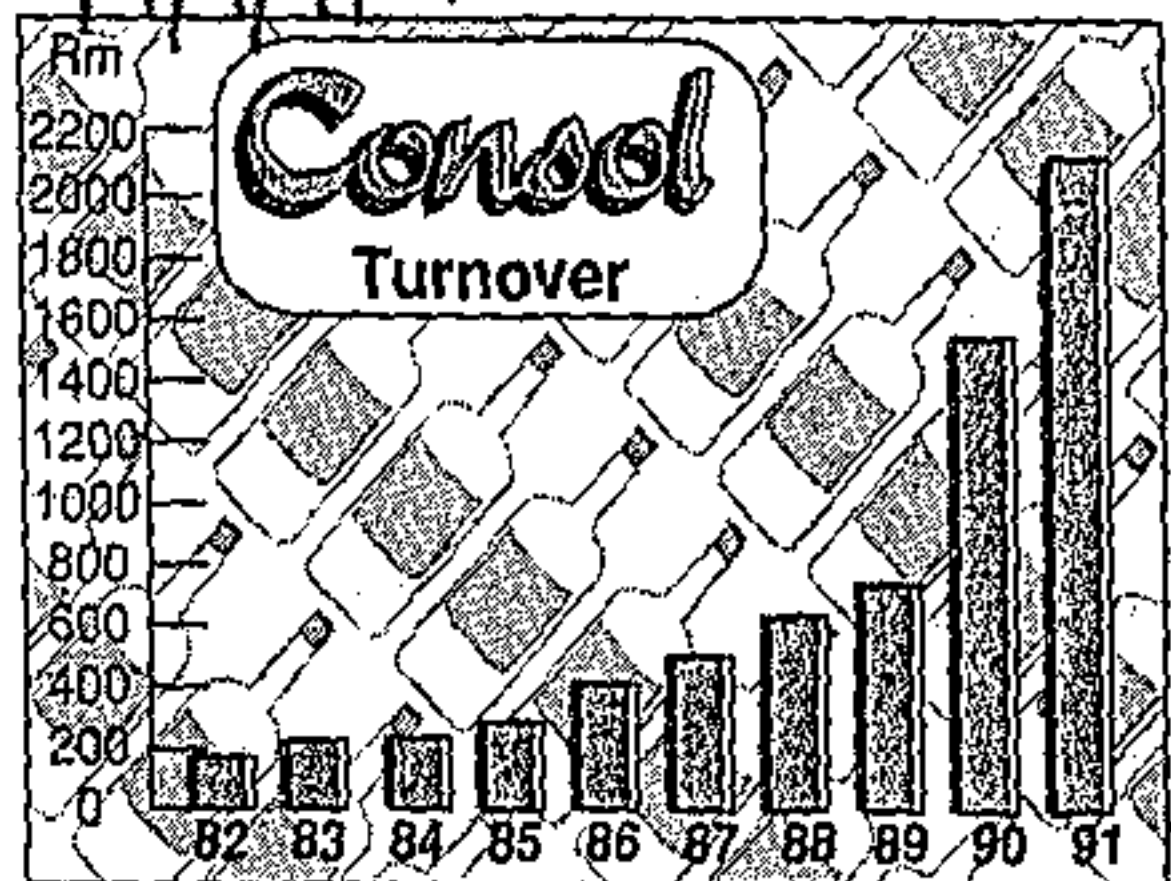
Local tyre manufacturers are protected from imports through import permits and duties.

Consol believed this was justified because of the high local interest rates and income tax levels compared with those enjoyed by foreign competitors.

Menell said local raw material manufacturers were also protected, effectively preventing SA's tyre industry from accessing cheaper foreign raw materials.

The local tyre market was small and segmented, and was required to provide sophisticated products to an equally sophisticated vehicle industry, he said.

"This results in relatively higher unit manufacturing costs, making it virtually impossible for the local industry to



compete with imports from large-scale, highly specialised overseas manufacturing operations."

Menell said the tyre industry was holding discussions with government on the question of protection.

He said the glass tableware investment was threatened by products imported at low prices, mainly from developing countries enjoying extremely low cost structures and substantial domestic government support.

Increased protection had been applied for and government's decision was awaited, he said.

The packaging and tyre group, in the Anglovaal stable, has a capitalisation of about R2,6bn.

Compared to net assets valued in the 1991 balance sheet at R783m, the group's shares trade at a premium of more than 200%.

## German firm set to make bid for Gentyre

SEAN VAN ZYL

196

GERMAN tyre manufacturer Continental Gummiwerk is expected to bid for W & A-controlled Gentyre Industries in a deal pitched at R35 a share, say market sources. This would value W & A's 67,6% interest in Gentyre at R368m.

W & A deputy chairman Terry Rolfe said that W & A was openly looking for "offshore alliances" to open new export markets and bring overseas technology to the group.

He added that the group would not consider disposing of any of its companies now that W & A had weathered the downturn in the economy. He would not be drawn on whether partial disposal would be considered to attract foreign participants.

Rolfe would neither confirm nor deny that discussions were taking place with Continental. B/Pay 11/9/91

But sources connected to Continental were confident the deal would be announced shortly. They added an offer would be extended to minorities, as required by the JSE, with the possibility of Continental pushing for full control of Gentyre and subsequent delisting of the tyre distributor. Continental senior directors were unavailable for comment.

W & A has attracted keen market attention over the past three days with more than 1,6-million shares changing hands on speculation the group was planning to dispose of various interests.

The unusual interest in the share has

□ To Page 2

## Gentyre

B/Pay 11/9/91

196

□ From Page 1

lifted W & A's share price by more than 8% over the week to 460c. Gentyre's share price rose sharply to around the R30 level in August — where it has since held — when the rumours first broke that W & A was looking for an offshore partnership.

Market sources argued the sale would be a logical step for the group which was in

dire need of new capital to relieve the pressure of its interest-bearing debt.

W & A's consolidated interest-bearing debt stood at over R1bn at the end of 1990 and its consolidated interest payments totalled R163m last year. FSI, W & A's penultimate parent, reported a consolidated debt of R1,22bn at end-1990 and paid out R206m in interest last year.



LONGMILE FM 13/9/91  
**Going down** (196)

**Reconstruction** of operations in any field is invariably an expensive business these days. Thanks largely to this having taken place in the silencer division, Longmile's preliminary results for the year to end-June were poorer than expected. Deputy chairman Nicolaas van den Bergh says the one-off expenses involved were partly responsible for the 6,5% reduction in operating profit.

Though turnover fell by a higher percentage (12%), Van den Bergh reports that, rather than reflecting a poor performance, this was because of the merger between Tredcor and Goodyear that resulted in the formation of holding company Contred in 1989.

Longmile has equity accounted Contred for the first full financial year. Essentially, it swapped the consolidation of the high turnover Tredcor business for the relatively low

turnover but higher margin, equity-accounted results of Contred. Shareholders in Contred are Longmile (18%), Tencor (21%) and Consol (61%).

Main event during the past year, however, was the effort to improve the profitability of the silencer business. In 1990, the Longmile Silencer division accounted for about a quarter of the group's operating profit. This, says Van den Bergh, was unsatisfactory.

Whereas previously the three silencer activities — Grapnel silencer manufacture; retailing and marketing; and the franchise operations — were all centrally managed, it had become necessary to split them into three separate divisions and to introduce new management, all of which has been done.

An essential part of the reconstruction was the purchase of the Kwik-Fit franchise. All the existing 156 outlets throughout the country, previously known as Silencer Services, have changed to the Kwik-Fit identity. This was an expensive process and Van den Bergh says the costs were all written off during the year.

In addition, new products (tyres, shock absorbers, trailers and batteries) have been added to the range of services offered through these outlets; this imposed a further financing requirement.

Though the interest bill was marginally higher at R12,9m, what really took a toll on the bottom line was an increase in the effec-

**TAX KNOCK**

Year to June	1990	1991
Turnover (Rm) .....	402	353
Operating profit (Rm) ....	44,2	41,4
Attributable profit (Rm) ..	24,2	15,2
Earnings (c) .....	48,3	30,4
Dividends (c) .....	12,1	7,6

tive tax rate to 47% (26%). Attributable earnings thus tumbled by 37% to R15,2m and EPS fell by a similar percentage to 30,4c.

Van den Bergh says Contred, which produces about half the operating profit, and the utility fasteners and clothing divisions, which together generate roughly a quarter, are performing "pretty well" according to expectations.

He sees 1992 as a period for consolidation, but EPS growth is expected to exceed the inflation rate. It is, he says, one reason for maintaining a four times dividend cover — he believes the group will be producing a better return for shareholders than they would be able to obtain elsewhere. Consequently, the total dividend for the year is confined to the 7,6c final, which is sharply down on the previous payout of 12,1c.

# Consol sounds note of caution

PRIEST IN  
REV. D.N.

TEL:

Packaging and rubber manufacturer Consol turned in a bumper performance in the past year, but no immediate let-up in the recession is expected to dampen sales growth this year.

In the latest annual report, chairman Clive Menell says past results were heightened by the consolidation of a full year's trading of Tredcor, compared with only six months' contribution in the previous year, and by a marked improvement in the profits of the plastics division.

He adds that the group also benefited from the fact that its businesses focus on non-durable or semi-durable products, the demand for which generally held up well. *Star 16/9/91*

The year ahead, according to Mr Menell, could see a turning point in the economy, which could boost performance in the second half of the financial year.

Mr Menell says packaging is a good barometer of the state of the economy and that volumes are expected to pick up early in the upswing.

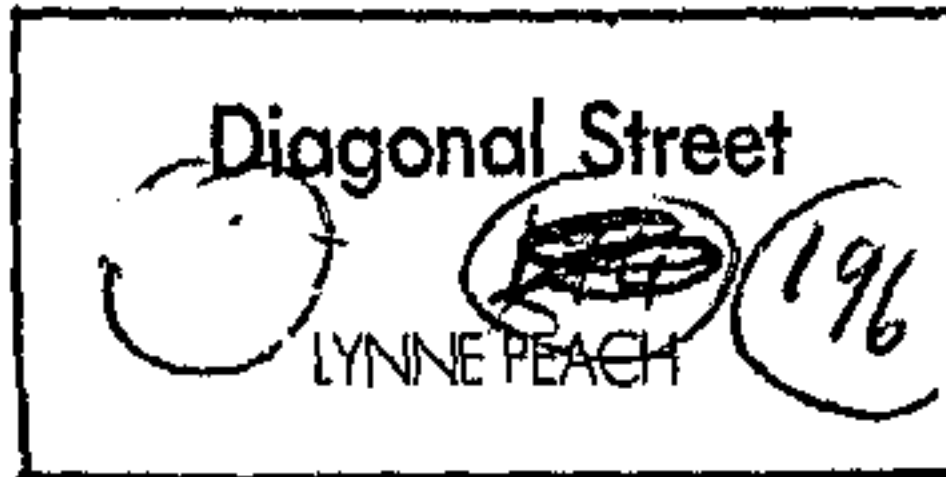
He concludes that even if recovery is slow, some earnings growth should be produced in the current financial year.

Consol, 57,7 percent-held by Anglovaal Industries, is active in two sectors — packaging and rubber.

The packaging sector manufactures and markets glass, plastics and paper packaging and glass tableware. It also mines and processes industrial minerals.

The rubber sector manufactures and markets new and re-treaded tyres and industrial rubber products.

In the year to June, group turn-



over climbed 33 percent from R1,6 billion to R2,1 billion and operating profit shot up 49 percent from R214,8 million to R319,4 million.

After net financing costs rose 13 percent from R27,4 million to R31,1 million, pre-tax profit soared 54 percent from R187,3 million to R288,3 million.

An increase in the effective tax rate from 37 percent to 46 percent reduced the rise in taxed profit to 32 percent from R117,9 million to R155,8 million.

After taking into account outside shareholders' interests and preference dividends, attributable profit advanced 23 percent from R101,0 million to R124,5 million.

Earnings per share grew from 157,7c to 194,3c. The dividend for

the year was 55c a share, compared with a payout of 45c in the previous financial year.

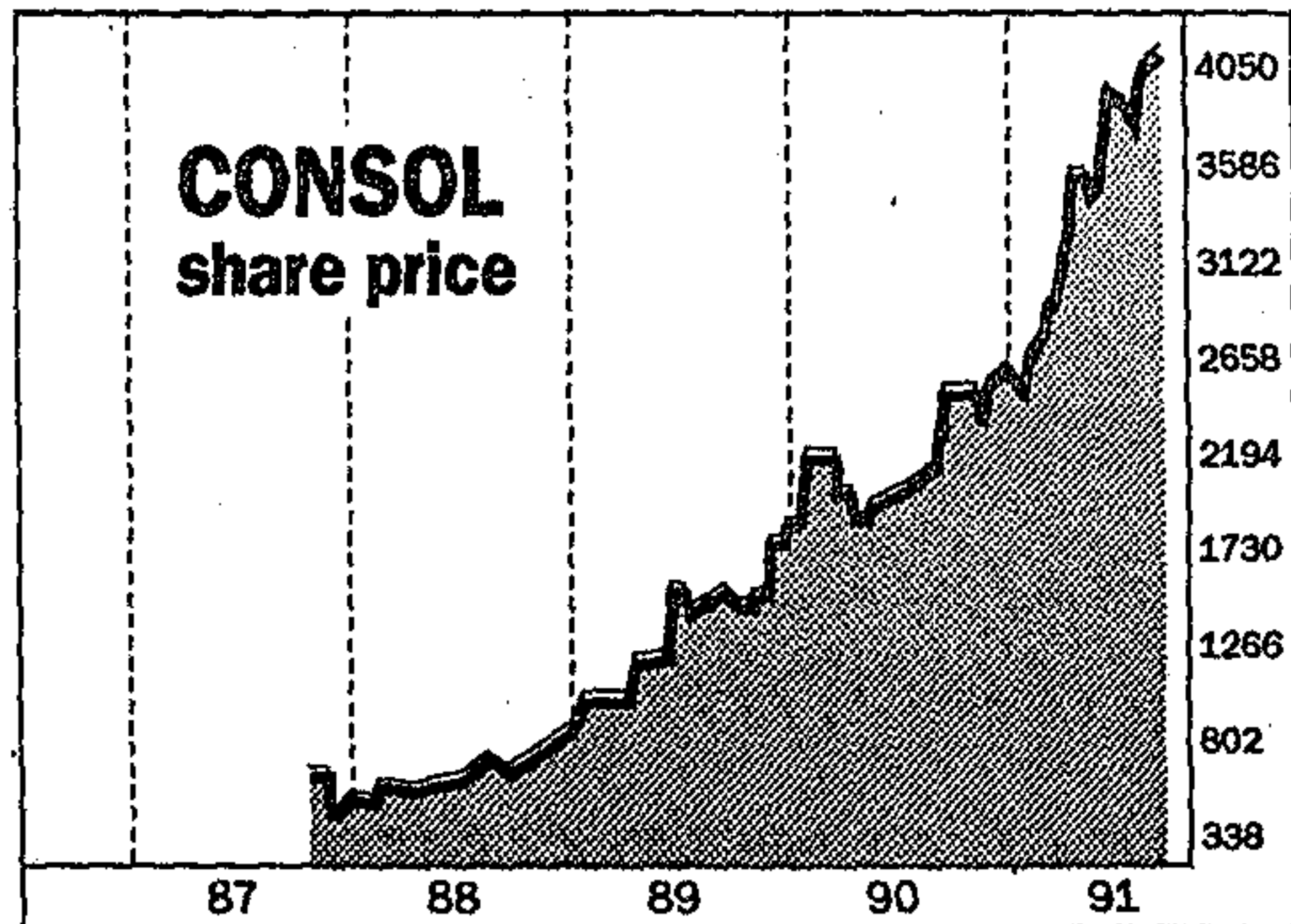
The balance sheet remains strong, with gearing down from 34,8 percent a year ago to 29,2 percent.

Mr Menell says strict cash requirement targets have again been set for all divisions in the current year.

**COMMENT:** Consol, priced at R40,50, is trading on a P/E ratio of 20,8 and provides a dividend yield of 1,4 percent.

Although the share with its excellent track record and sound long-term prospects deserves a high rating, it is relatively expensive compared with other blue-chip shares.

Consol's shares have been particularly strong performers, having moved up from less than 600c four years ago to a current high of R40,50. The trend remains positive and will only be threatened if the price starts slipping below R35.





# Hefty tax break helps Gentyre pull through

By Jabulani Sikhakhane

Gentyre's useful and large tax breaks helped turn a 5,7 percent fall in turnover into a 14 percent advance in earnings for the six months to June.

Earnings were up 23c a share to 186c and the dividend was maintained at 55c, with the dividend cover increasing to 3,4 times.

The tax breaks result from the restructuring of the Gentyre group in 1989. In the review period Gentyre's effective tax rate fell from 25 percent to less than one percent and the tax charge was R148 000 from R8,51 million.

Chairman Terry Rolfe says sales of the tyre and industrial divisions declined in real terms. The market for industrial products was depressed, but tighter control of costs and working

capital helped the division maintain its contribution to group profitability.

The tyre division, which contributes about 86 percent of Gentyre's profit before interest and tax faced excessive discounting and more freely available tyre imports which saw the group's operating margin fall from 12,7 percent to 11,1 million.

Turnover fell R13,99 million to R229,35 million and operating profit dropped R5,59 million R25,44 million. Interest received was up 25 percent to R3,73 million.

Mr Rolfe says the group actively pursued export opportunities, with encouraging results. However, he cautions that the four-week strike at the tyre plant will affect profitability in the second half.

## Export drive lifts Bateman earnings

By Sven Lünsche

A successful export drive enabled engineering group EL Bateman to boost attributable earnings by 20 percent to R21,93 million (R18,31 million) in the year to June.

The rise in earnings was on the back of a 33 percent surge in turnover to R788,11 million (R588,98 million) and a 24 percent boost in operating income to R36,19 million (R29,12 million).

Earnings per share were 19 percent higher at 803c (672c), from which a dividend of 265c (216c) has been declared.

Chairman Bill Bateman says the group was able to more than balance the local downturn with a very successful export drive.

The group has diversified significantly on the local market and is less dependent on the severely depressed mining industry.

Conditions in company-related industries are not conducive to short-term growth.

The company will strive to maintain earnings in real terms in the 1992 financial year, which would be considered a good performance, Mr Bateman says.

At its current share price of R60 Bateman's shares are trading at an earnings yield of 13,4 percent and a dividend yield of 4,4 percent.

To make the shares more tradeable, the group is planning a 10-for-one share split in November.



# Tax bill cut helps rescue Gentyre

DECLINING sales and increased pressure on margins hit W & A-controlled Gentyre Industries for the six months ended June.

However, the industrial rubber and tyre manufacturer was able to save its bacon by an unexplained and heavy cut in its tax bill to R148 000 (June 1990: R8,5m), resulting in a 14,5% increase in attributable earnings to R28,9m (R25,2m) for the period.

Chairman Terry Rolfe said the drop in operating profit to R25,4m (R31m) reflected tougher competition from imported products, resulting in a weaker operating margin of 11,1% compared with the previous period's 12,7%.

The drop in sales to R229,3m (R243,3m) was due to local recessionary conditions. "The reduction in new vehicle sales and cutbacks in the mining industry were the major factors which contributed to this decline."

While the industrial rubber market remained depressed, he said Gentyre's rubber product division achieved profitability as a result of a cost control and a working capital management programme.

He said the effect on profits of the recent four-week strike at the company's tyre manufacturing plant was minimal.

However, the incident could have some effect on profits for the last six months of the trading year.

While tough trading conditions would probably prevail, Rolfe was confident the

196  
Biday 17/9/91  
SEAN VAN ZYL

company would produce satisfactory results for the current trading year.

He said Gentyre was pursuing export opportunities which were proving "most encouraging".

Interest received of R3,7m (R3m) also helped bolster the pre-tax profit line. Earnings came in at 186c (163c) a share, of which an interim dividend of 55c a share has been declared.

The dividend was the same in the previous period.

The dividend cover has been lifted to 3,4 from the previous period's 3,0 times.

Gentyre reminded shareholders of the recently published group cautionary announcement that negotiations were in progress which could affect Gentyre's share price.

The cautionary announcement was published following strong speculation that German-based Continental Gummiwerk was planning a bid for control of Gentyre at R35 a share.

Gentyre's share price is holding at R30, which sources say is the likely purchase price to be settled between Continental and W & A.

They say an announcement outlining the deal is expected to be made within the next two weeks.

## Market goes mad for Trencor

SPECTACULAR gains in diversified transport group Trencor were indicative of continuing market interest in the pale blue share, analysts said yesterday.

The share moved up R2 to a new high of R100 yesterday on a small deal worth R50 000.

This follows a R7 gain on Tuesday in another small deal where 300 shares traded.

Market observers said price was no longer the question and buyers were becoming desperate to build up a stake in the group.

Trencor, helped by exports and a strong performance from offshore operations, increased earnings by 28,5% to 735c (572c) a share in the year to June 1991. The group has

MARC HASENFUSS

seen a compound growth of 40% since 1984. ~~223~~ 196

Analysts believed Trencor would continue its strong performance in the year ahead.

Although Trencor is listed in the transport sector, its main operating activities include the manufacture of containers, tyres through Contred, Henred-Fruehauf, a 50% stake in the Indian Ocean Export Group and various transport groups.

The transport sector index, heavily weighted by Trencor and holding company Mobile, stands at 20 201, almost double the 11 100 at the same time last year.

19/9/91  
SIDNEY

DARMAG Fm 20/9/91

**Tighter controls**

196

**Activities:** Manufacture of rubber and plastic products for industrial applications.

**Control:** Zimco 51% — controlled by Anglo American Corp.

**Chairman:** D A Buchanan; **CE:** R M Dersley.

**Capital structure:** 22.2m ords. Market capitalisation: R7.8m.

**Share market:** Price: 35c. Yields: 5.7% on dividend; 25% on earnings; p:e ratio, 4.0; cover, 4.4. 12-month high, 40c; low, 25c.

Trading volume last quarter, 120 000 shares.

Year to Mar	'88	'89	'90	'91
ST debt (Rm) .....	1.0	0.6	3.8	1.8
LT debt (Rm) .....	2.4	2.3	2.7	1.7
Debt:equity ratio .....	0.34	0.33	0.69	0.26
Shareholders' interest	0.44	0.5	0.5	0.6
Int & leasing cover ..	7.9	7.0	1.3	3.2
Return on cap (%) ..	20.1	21.8	7.5	17.4
Turnover (Rm) .....	18.9	23.8	26.4	26.2
Pre-int profit (Rm) ...	3.1	4.0	1.5	3.2
Pre-int margin (%) ..	16.6	16.8	5.6	12.0
Earnings (c) .....	11.6	11.1	3.0	8.8
Dividends (c) .....	2	5.3	—	2
Net worth (c) .....	32.3	39.1	42.4	49.3

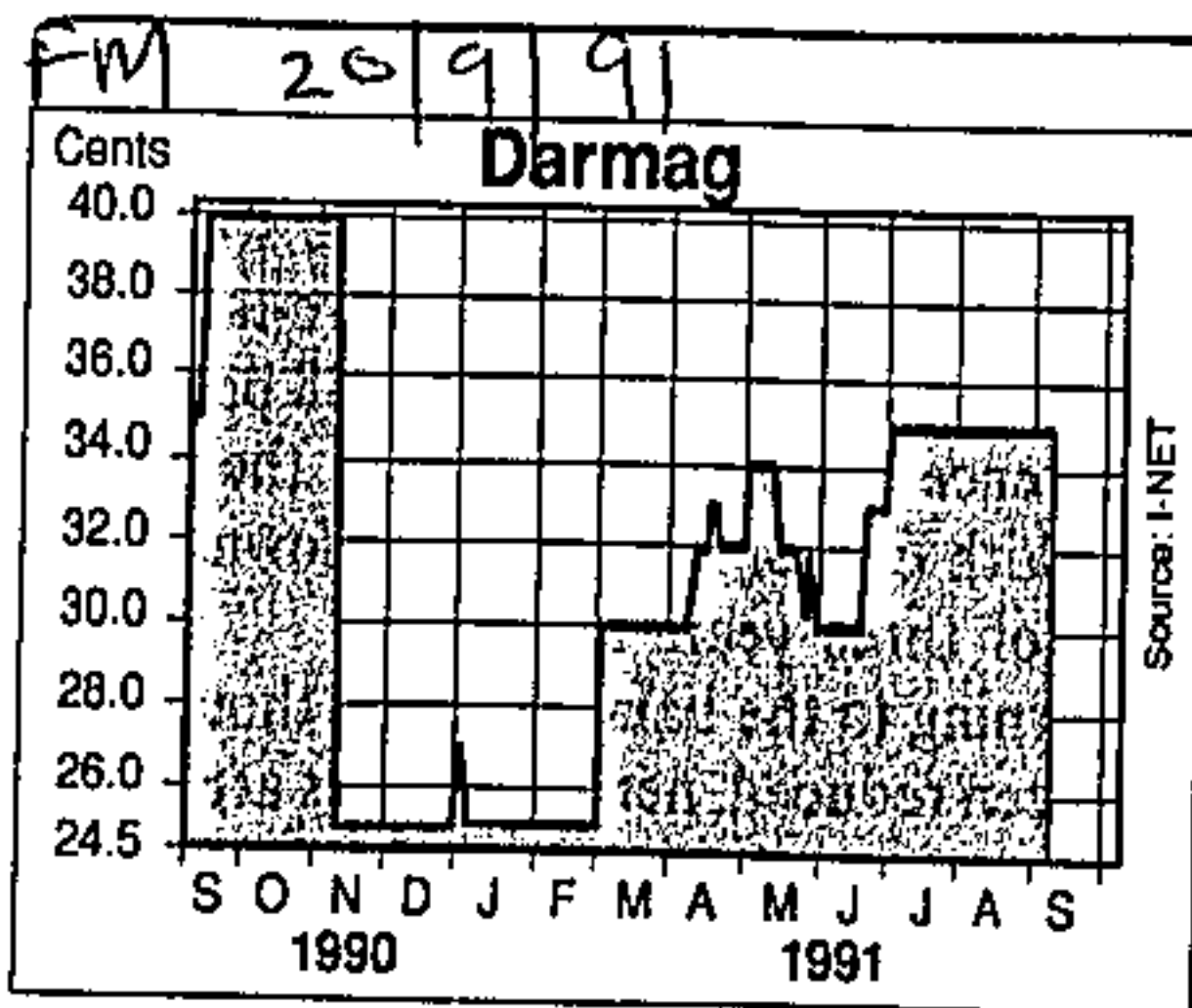
**A 62% slump** in operating profit for the 1990 financial year was followed this year by an even more dramatic turnaround, with profit rising by 113%. Perhaps there is something to be said for having a capable big brother to call on when the going gets tough.

Darmag and Sondor, though operating in different ends of the plastics and rubber industry, are effectively controlled by Anglo American Corp (Anglo), through unlisted Zimco. For Anglo, these companies represent a strategic investment. Should there be evidence that all is not well, Anglo can step in, take control, institute remedial action and ensure that there is follow through. In the case of Darmag, this appears to be what happened.

Some of the problems were apparent in the

Continued -17

**COMPANIES**



rubber division which, in the 1990 financial year, made a loss because of product obsolescence and substitution of new products (FM September 14 1990). Since then, with effect from the beginning of the 1991 financial year, the group has been restructured to focus its activities more clearly.

Noel Drew, who represents Zimco's interest on the Darmag board, says tight management control of expenses has improved efficiencies, cash flow has strengthened, working capital has been reduced and short-term borrowings have declined. All the Cis-kei operations have been consolidated. Results from the rubber division improved because of the disposal of loss centres and other economies introduced. Nevertheless, the company is dependent on the lead acid battery industry, which is stable but showing no growth.

GM David Looms will take over as MD from Monty Dersley, who will remain on the board. Looms emphasises that diversification of the product range is a prime objective, though the group will also concentrate on the motor industry and on exports to African countries, which he believes could play a major role in Darmag's future.

Looms sees no growth in EPS for the 1992 financial year. This is to be a year of consolidation. Capital expenditure on new machinery will absorb much of the cash flow. In the plastics division, a new injection moulder is being imported from Japan to replace ageing equipment and enable manufacture of larger plastic components.

With Anglo firmly behind the operation and Looms in the driving seat, it's likely that Darmag will produce a solid performance in the long term. In its current form, though, results will largely remain linked to the fortunes of the economy and the motor industry in particular. The share does not offer much excitement for investors in the short-term.

Gerald Hirshon



ANGLOVAAL INDUSTRIES

# Coming to market

196

FM 20/9/91

Anglovaal Industries (AVI) is well-placed to raise additional capital from the market after announcing 13% earnings growth for the year to end-June. It is one of the few industrial conglomerates to maintain earnings growth through the recession.

AVI intends to raise R388m by offering 14 debentures for every 100 ordinary shares. It needs R234m to follow its rights in two issues being held simultaneously by its strongest listed subsidiaries, Consol, whose own issue will raise R300m, and Irvin & Johnson (I & J), whose issue will raise R97m. The remaining R154m will be used to "maximise future business opportunities." Altogether, R480m of group debt will be eliminated.

The three issuing companies' shares all enjoy buoyant ratings; AVI stands on an earnings multiple of 14,9 and a dividend yield of 1,2%; Consol on 20,6 and 1,4%; I & J on 14,9 and 2,2%. Consol, I & J and unlisted National Brands contributed almost three-quarters of earnings and more than offset the reduced contribution from construction and textiles.

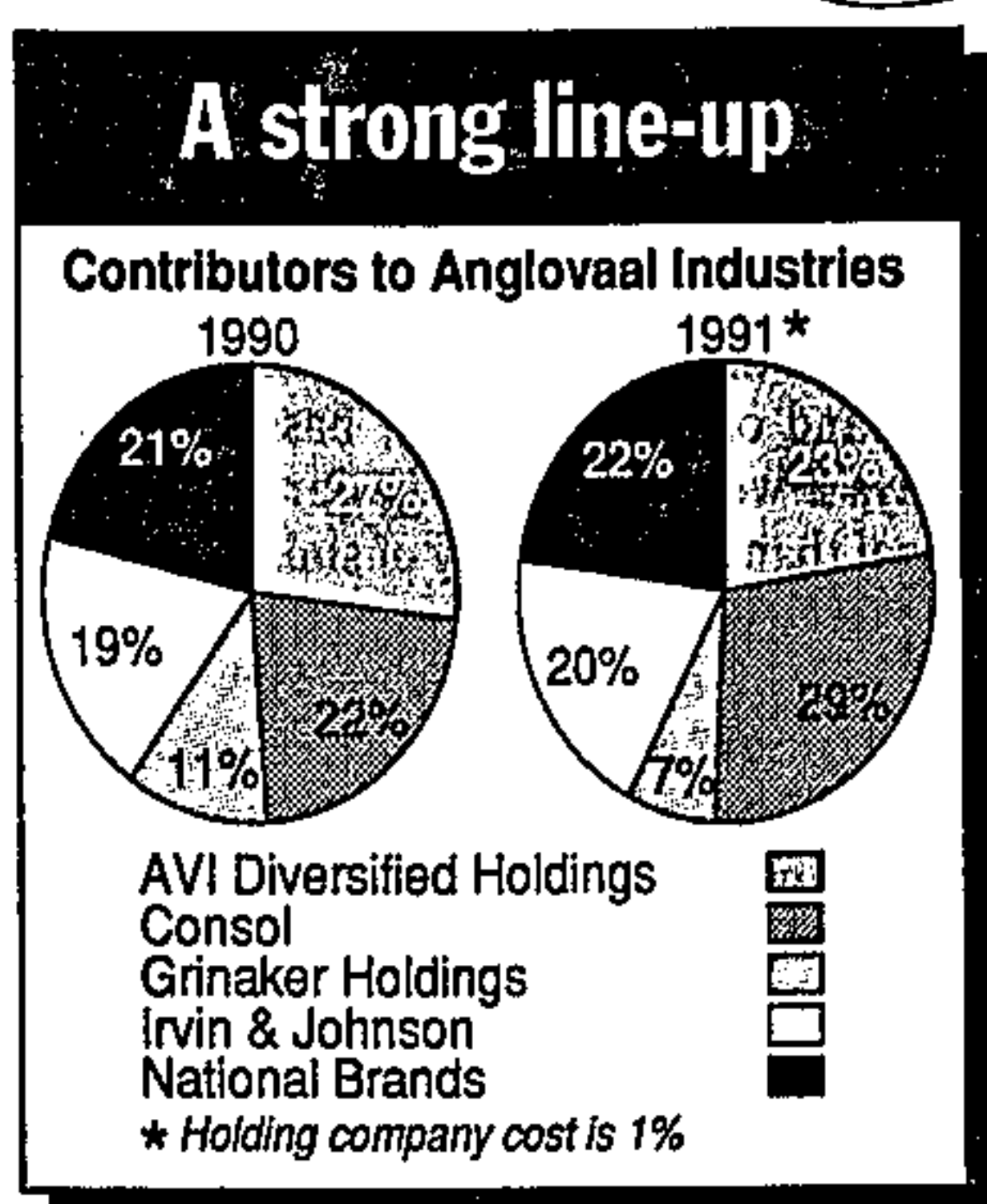
AVI group MD Jan Robbertze says that, ideally, rights issues should coincide with an acquisition or major expansion, but in the real world conditions are not always ideal at that time. AVI's capital spending will accelerate — R1,1bn will be spent over three years compared with R206m in 1991 — but there is no dominant headline-grabbing project.

AVI has a good eye for acquisitions, which often take place at short notice. Most significant was Consol's purchase of Goodyear from its American parent in July 1989. Others have included HiPerformance Systems, the former Hewlett-Packard, and Mooi River Textiles.

AVI has an excellent opportunity to raise cheap finance. Existing shareholders will find that the interest available from convertible debentures give a much more attractive yield than ordinary shares. AVI and Consol are offering 5% and I & J 6% — about three times the current dividend yield. Even after tax, the debentures will still offer a better yield, yet these dividend pay-outs cost AVI much less to service than loans.

For Anglovaal, which holds 60% of AVI's ordinary shares, the rights issue does not threaten control. Anglovaal's philosophy is to preserve control but keep gearing low, which can be a delicate balancing act, particularly for a family-controlled company.

Anglovaal's share of the rights issues will be R242m, a sum it can afford without upsetting its own gearing. When new shares in AVI were last issued in 1989, Anglovaal's stake fell from 66%. Now, Anglovaal has agreed to underwrite the offer, so its stake in



AVI will remain intact. AVI is likely to provide the group with better earnings growth than its mining interests in the short term, so Anglovaal cannot afford to reduce its exposure to industry.

At R97, the AVI debentures are being offered at a 13,4% discount to the current market price of R112. The debentures will convert to ordinary shares when dividends match the debenture interest payments. Analysts expect this to be between 1997 and 2000. And AVI has just one class of ordinary shares. A storm was caused during last year's Anglovaal rights issue, as the group had earlier issued N shares, which carry only 1/500th of the voting power of A shares. No such device has been used by AVI.

The market generally supports the rights issue, not least because it will bring high-quality scrip into play. AVI's earnings and dividends have doubled since 1987. The operating margin has increased from 9,3% to 9,8%. Gearing peaked at 31% in 1990, but it is now down to 25%.

AVI's gearing has already been improved by the sale announced this week of 16,2% of Cadbury Schweppes. This might seem a strange decision in view of Cadswep's record and prospects. But Anglovaal does not like passive investments and it had hoped to buy a larger stake in the future, perhaps if Cadswep Plc had disinvested.

AVI sold the stake for R177m — a capital

### WINNING THROUGH

Year to June 30	1990	1991
Turnover (Rbn) .....	6,49	7,39
Operating income (Rm) ..	631	722
Attributable (Rm) .....	208	234
Earnings (c) .....	733	825
Dividends (c) .....	135	150

gain of R154m. This money can be made to work much harder for the group, as only the dividend income from Cadswep was brought to account. Short-term borrowings, which were R200m in the last balance sheet, will be almost wiped out by this deal. Once the surplus of the rights issue is paid in, gearing will be barely 10%.

Ostensibly, I & J has the least need for a rights issue. It has more cash than borrowings. But it has established a joint venture with a Soviet consortium in Namibia and may have further expansion plans. I & J has had few disappointing years in its 28 as a listed company, though 1990 was prominent among the lean years. In 1991, however, I & J lifted earnings by 20%, despite low chicken prices and no real growth in the processed foods market.

Consol is now the star performer of the quoted companies in the AVI group, and it contributed 29% of 1991 earnings. However, the share is widely considered to be overpriced, so there is a deeper discount for Consol debentures. At R34, they will be issued at a 15% discount to the current market price of R40,50. So the issues have been carefully structured to allow for the recession and a generally tired-looking stock market.

Stephen Cranston

## TEMPORA FM 20/9/91 More sweeteners

Normally, investment trusts trade at a discount to net asset value, but this has not been the case with Suncrush subsidiary Tempora. It now trades at R19,50, a premium on current NAV of R18, calculated by chairman Robin Hamilton.

The shape of the trust has changed significantly over the past two months. Tempora has had a rights issue and R100m was placed with institutions to fund the purchase of 16% of Cadbury Schweppes, to increase the group's holding to 22%.

Hamilton expects the share to be more tradeable than either of its two major investments, Cadswep and 20% of Dalys, the Suncrush holding company. Suncrush's stake in Tempora has fallen from 62% to 43%, and the recent R100m placing was spread among eight institutions. Tempora is now predominantly a vehicle for investment in the soft drink and confectionery market. Its stake in Cadswep is worth R240m, in Dalys R130m. Its other significant investments are R30m in Sakers and Saficon, and about R3m in Seardel and Searcon.

Hamilton says he does not expect the Suncrush interests to be involved in any way with

## Tyre makers seek protection

*B/10aw*  
*23/9/91* **MARC HASENFUSS**  
THE SA Tyre Manufacturers' Conference is to urge the Board of Trade and Industry (BTI) to restore import restrictions on tyres or offer local tyre makers greater protection.

This follows government's controversial decision to liberalise import restrictions on tyres.

The effect of cheaper imported tyres is reflected in the weaker results from the two listed local tyre makers, Gentyre and BTR Dunlop.

Conference director Gert Fisher said tyre makers would meet raw material suppliers next week and a meeting with the BTI was planned for next month.

Tyre industry sources said that if import restrictions were eased, tyre makers should be allowed to buy raw materials from cheaper overseas suppliers.

196

# Tiger Wheels pumped up again

Star 25/9/91  
Tiger Wheels' earnings are back on track for the year to June after a R2 million first half setback as a result of faulty raw materials.

Second half profits were R1,5 million which brought total attributable profits for the year to R1,8 million. The total for the previous financial year was R3,4 million.

Earnings per share were 6,3c on an increased issued share capital compared with the pre-

vious 12,2c. A dividend of 3c a share was declared (4,5c).

Shareholders are again given the option of taking up bonus shares on the basis of six shares for every 100 held.

Turnover was 24 percent up at R64,4 million but as a result of pressure on margins operating profit was only slightly up at R6,1 million (R5,7 million).

The interest more than doubled to R1,7 million (R658 000)

196  
while the R2 million costs incurred as a result of the raw material problem left pre-tax profits at R2,4 million (R5,1 million).

Chief executive and co-chairman Eddie Keizan says steps have been taken to prevent a repeat of the raw material problem.

He adds that an investigation into group's rights and the likelihood of recovering the money are in progress.— Sapa.



# Tiger Wheels loses air after R2m blow

*Bloom 25/9/91 196*

MARC HASENFUSS

TYRE and wheel group Tiger Wheels performed to expectations in the second half but could not offset the effects of a R2m abnormal loss incurred at the interim stage, when it received faulty raw material.

CE and co-chairman Eddie Keizan said steps had been taken to prevent a repeat of the raw material problem.

Investigations into the group's rights and the likelihood of recouping the lost revenue were continuing.

Turnover rose 24% to R64,4m (R51,7m), but operating profit crept up 5% to R6,1m (R5,7m) as competition and recessionary conditions eroded margins in the year to June 1991.

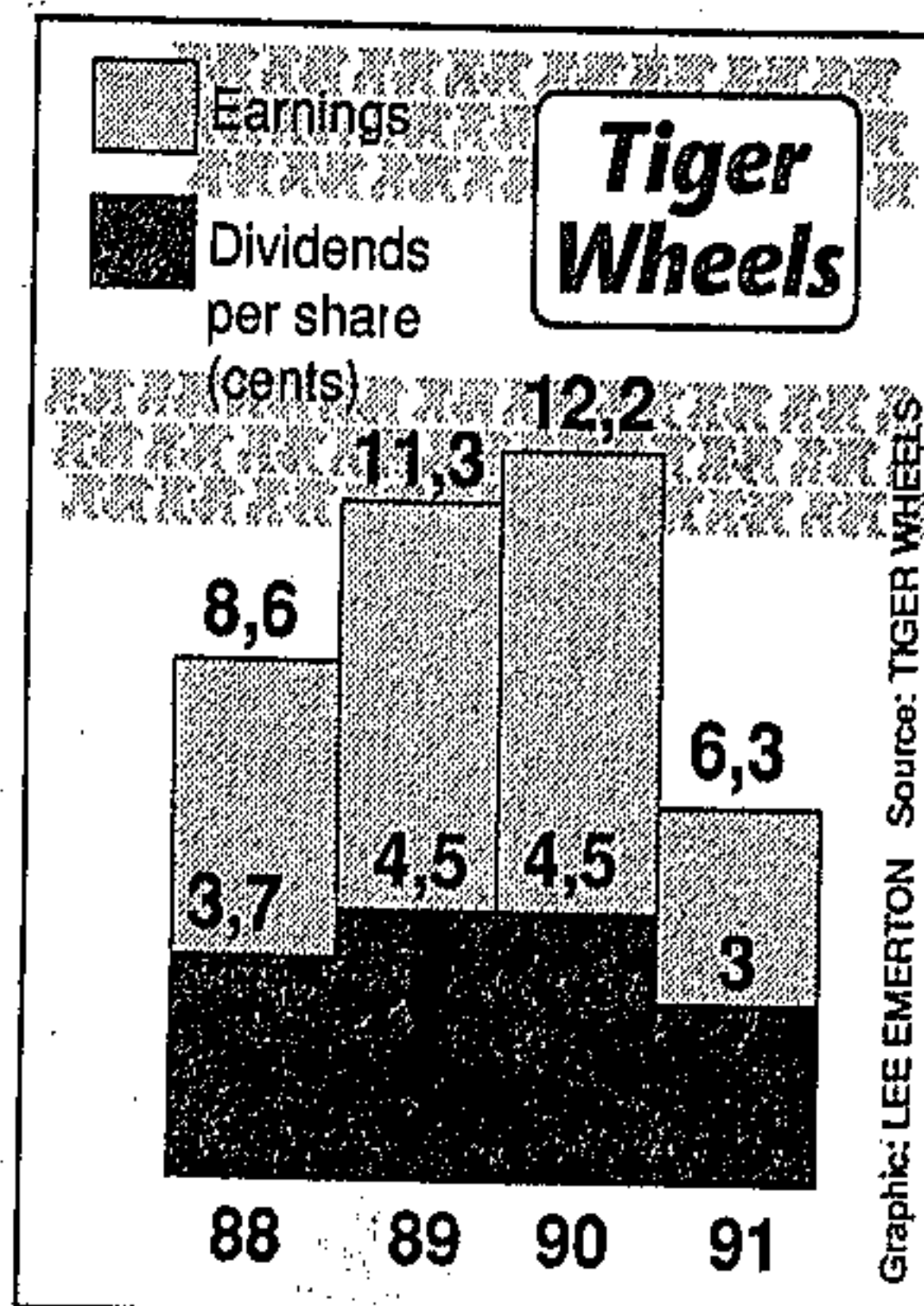
The R2m abnormal loss and a surge in the interest bill to R1,7m (R658 000) knocked bottom-line earnings down 46% to R1,84m (R3,4m).

The dividend payout was reduced to 3c (4,5c) and shareholders were again given the option of bonus shares in lieu of dividend on the basis of six for every 100 held.

Earnings a share fell 48% to 6,3c (12,2c) with more shares in issue.

Keizan said he was happy with the results under the circumstances. "Tiger Wheels has significant unrealised upside potential, particularly in the manufacturing division, where output is below capacity," he said.

The group's export orders to 13 major countries had shown significant growth. Tiger Wheels had secured its first major original equipment order for supplying



wheels to a German manufacturer. Keizan said development work had started and would result in increased business in a year's time.

According to the balance sheet, gearing stands at 55% with cash reserves down to a slim R75 000 (R330 000). Net asset value a share increased to 46,4c (41,9c) a share in the period under review.

Keizan, optimistic about the year ahead, is budgeting for increased earnings in all areas of the group's operations.

Tiger Wheels, currently at 55c, is wedged midway between its March high on the JSE of 65c and August low of 45c.

W & A FM 27/9/91

**Working on debt**

The impact of high debt levels was apparent once again in the W & A interim results. Though operating income advanced by a quarter, thanks to an increase in interest paid of nearly two-thirds, the pre-tax profit was static.

According to CE Jeff Liebesman, the working capital requirements increased, as did the need for capital to finance the take-over of Alloy Wheels International and Unit-Span Modular Building by UK subsidiary AAF Investments.

By June 30, gearing — based on the group's own calculations — had fallen from 67% to below 60%. A conservative calcula-

tion, with all intangibles eliminated, for example, might produce a somewhat higher figure.

FSI itself, which is now simply a pyramid company, has R277m of its own debt. Deputy chairman Hennie van der Merwe contends this is not that risky, as it is serviced by dividends on preferred ordinary shares and by interest on convertible debentures. It is thought that FSI would like to place its convertibles if share prices become attractive. On present trends, that may take a while.

However, gearing should improve markedly after the sale of the J D Group debtors' book to a banking consortium for R414m (FM September 20), though some of this money was used to purchase preference shares in the new J D Sales.

A cautionary notice was recently published concerning Gentyre's negotiations with Continental Gummiwerk, which holds the licence for Continental Tyres. That immediately gave rise to speculation that Gen-

*Continue*

tyre could be sold — which would generate a hefty inflow of funds that could be used to repay borrowings. But Van der Merwe says that FSI will not sell its core businesses, and Gentyre is considered to be one of these.

Even so, perhaps the sale of a minority stake should not be ruled out. W & A might hope for a full price for any equity sold, but it would be at a cost to the earnings stream. The 68% interest in Gentyre accounted for more than 34% of W & A's attributable earnings at the halfway stage.

Moreover, Gentyre is a net earner of interest, and carries more cash than debt. It also has a very low effective tax rate. In 1992, however, Gentyre will be back in tax, and so the timing for its sale could be good. If a meaningful stake is sold to Continental, then the group could realise as much as R100m.

W & A's own tax rate was only 9.4%, down from 23.3% at the previous interim, due to capital allowances in subsidiary companies. Van der Merwe says that the rate will remain around 10% for at least two years. But, unless W & A continues to buy poor performers, eventually its tax rate will be comparable with those of other holding companies.

There do not appear to be too many concerns in the market with the performance of the major underlying businesses. Natbolt is exporting significantly and the Edworks shoe chain might finally be recovering — though that has yet to be shown.

The number of shares issued was increased by 118% as part of last year's restructuring of the FSI group, which led to the delisting of five subsidiaries. As a result, EPS fell by 5.2%, and the group expects a fall for the full year of 10%, to around 85c. Liebesman reckons that this will be a much lower fall than is likely from most other conglomerates.

But that is a misleading comparison. He admits that the group does not operate in fragmented or highly cyclical industries. Some other conglomerates which are not heavily exposed to cyclical businesses —

such as Safren, AVI and SA Breweries — all showed good increases in EPS.

At 540c, W & A's share price gives a p/e of 5.7 and a dividend yield of 7.8%. Market reactions remain divided on W & A, though even its critics acknowledge that it has made progress with gearing and stock control. The group now has a large number of shares to service, which puts additional demands on the trading performance.

Provided that problem areas such as Edworks are dealt with successfully, and there

**GAINS DILUTED**

Six months to	Jun 30 '90	Dec 31 '90	Jun 30 '91
Turnover (Rbn) .....	1,24	1,80	1,67
Operating inc (Rm)	138	179	172
Attributable (Rm) ..	28	85	57
Earnings (c) .....	36,7	58,3	34,8
Dividends (c) .....	15,5	26,5	15,5



**W&A's Van der Merwe ... not selling core businesses**

are no further dilutions or shuffles of the shareholding structure, W & A may have a reasonable future. The plan that emerges for Gentyre will offer further indications of the likely direction.

*Stephen Cranston*



# Tyre duty scrapped

By DON ROBERTSON 196

*S Times (Sun)*  
THE Board of Trade and Industries (BTI) has announced the scrapping of the 20% import duty on foreign-made tyres on December 31 while allowing import duties on imported natural rubber to remain.

The R1,5-billion tyre industry is to ask the board to retain the existing duties on tyres or to reduce the duties on natural-rubber imports.

Gert Fischer, director of the SA Tyre Manufacturers Conference, says he fears that when duties are removed tyre distributors will substantially increase imports, putting pressure on local manufacturers.

Even with the duty protection for tyres, local manufacturers face competition from imports. Gentyre, one of the two listed tyre manufacturers, recently reported lower pre-tax profits, blaming imports for part of the loss.

Dr Fischer says imports have increased sharply in recent years and now represent about 25% of total sales in SA.

Passenger-tyre imports rose from 1,67-million kg in the first five months of last year to 2,39-million kg between January and May this year, while truck tyres increased to 2,78-million kg from 2,02-million kg.

A standard imported passenger tyre can be landed in SA at between R6 and R8 a kg compared with the local cost of about R11 a kg.

Many of these imports are used tyres, purchased for retreading but sold instead as second-hand.

At present tyre manufacturers are forced to buy synthetic rubber from Sentrachem's Karbochem plant in Newcastle, and are effectively prevented by heavy duties from importing cheaper natural rubber.

Dr Fischer says he is hopeful that the tyre manufacturers' application will be well received by the BTI. The discussions will take place with raw-material suppliers.



# BTI to scrap 20% tyre import duty

B (Dew) 7/10/91.  
196

THE Board of Trade and Industry (BTI) is to scrap the 20% duty on imported tyres from December 31, while duties on imported natural rubber will remain in force.

The move, announced at the weekend, is likely to elicit strong opposition from SA's tyre industry, which last week urged the board to introduce anti-dumping laws to prevent an influx of cheaper imports.

Industry representatives, including Tyre Manufacturers' Conference chairman and BTR Dunlop MD Clive Hooper; Gentyre MD Clive Tutton; Firestone MD Bill Taylor; and Tycon MD Mike McNamara, were also looking for a reduction in duties on natural-rubber imports.

While none of the representatives could be reached for comment yesterday, a tyre industry source said the industry could not accept the escalating tyre imports without enforcing an effective anti-dumping mechanism.

He said that if imported tyres were allowed into SA, the products should be required to adhere to the same

MARC HASENFUSS  
and PAUL ASH

quality control system as locally-made tyres. The source said if these requirements were not met then the industry would have to apply for the necessary degree of protection.

Standard imported passenger tyres cost R6 to R8/kg landed while local tyres cost about R11/kg.

Imports of passenger tyres rose to 2,39-million kg between January and May 1991 from 1,67-million kg in the first five months of last year. Truck tyre imports increased to 2,78-million kg from 2,02-million kg.

Industry analysts said imported tyres cost substantially less than those made locally but warned that foreign-made tyres were not always suited to road conditions in SA.

Local tyre makers believe the protection against imports was justified in the light of high local interest rates and income tax levels.

Local raw material suppliers are also protected against imports, which prevents tyre manufacturers obtaining their materials requirements from more competitive suppliers.

## Industry denies report on tyre duties

THE tyre industry yesterday denied the Board of Trade and Industry (BTI) had announced duties on imported tyres would be scrapped at year-end.

The SA Tyre Manufacturers' Conference (SATMC) also stressed it had not called on the BTI to lift import control on raw materials.

*B/Daw 8/10/91*  
"The tyre manufacturers only expressed their view that, if quantitative import control is abolished on tyres and tyre-related raw materials, it should be done simultaneously."

Import control of new tyres had been

### Business Day Reporter

liberalised since mid-1990 leading to imports of new and used tyres now representing 25% of the replacement market in SA, the SATMC said. (196)

"The industry is applying for higher duties and ant-dumping duties before import control is finally lifted."

Business Day yesterday erroneously reported that the ad valorem duty of imported tyres was 25%. The SATMC said the duty on most imported tyres was 20%.

# Import duties on tyres stay

S/Times (BUS)

THE SA Tyre Manufacturers' Conference is to ask the Board of Trade and Industry to increase import duty on tyres before quantitative import control is lifted.

In last week's Business Times it was reported that the SATMC would ask the BTI to retain import duties on car and truck tyres, which it suggested would be scrapped at the end of the year. 13/10/91

Import duties range from 10% on tubes and earth-mover "slicks" to 25% on car and truck tyres. Quantitative import control limits the volume of tyres that can be imported and does not refer to import duties.

Quantitative import duties will be dropped on December 31 unless the SATMC is successful with a petition to the BTI to retain import control on tyres.

Business Times also said that tyre manufacturers were forced to buy synthetic rubber from Sentrachem's Karbochem plants. Alex Olivier, a director of Karbochem, says that since the closure of the polyisoprene plant last year the duty on natural rubber was dropped.

Tyre manufacturers buy most of their SR from Karbochem, representing less than 50% of their requirements, on which there is a 25% duty.



FM 18/10/91

196

**Activities:** Makes road trailers and containers; road freight haulage; owns 21% of Contred, which makes and retreads tyres; vehicle and motor spares outlets.

**Control:** Mobile industries 48%; Directors 27,9%.

**Chairman:** NI Jowell.

**Capital structure:** 14,3m ords. Market capitalisation: R1,39bn.

**Share market:** Price: R97. Yields: 1,6% on dividend; 7,6% on earnings; p:e ratio, 13,2; cover, 4,3. 12-month high, R102; low, R46.

Trading volume last quarter, 85 000 shares.

Year to June 30	'88	'89	'90	'91
ST debt (Rm) .....	27,9	56,3	70,4	83,0
LT debt (Rm) .....	18,4	23,9	8,8	3,5
Debt:equity ratio .....	0,28	0,36	0,28	0,27
Shareholders' interest .....	0,53	0,53	0,55	0,46
Int & leasing cover .....	n/a	17	18	9,5
Return on cap (%) .....	22,6	22,8	25,4	27,1
Turnover (Rm) .....	514,1	689,7	784,6	529,1
Pre-int profit (Rm) .....	59,2	82,1	118,2	147,3
Pre-int margin (%) .....	11,5	11,9	15,9	17,8
Earnings (c) .....	254	338	517,7	734,8
Dividends (c) .....	50	67	130	160
Net worth (c) .....	852	1 179	1 624	2 171

manufactured containers that has been responsible for the success.

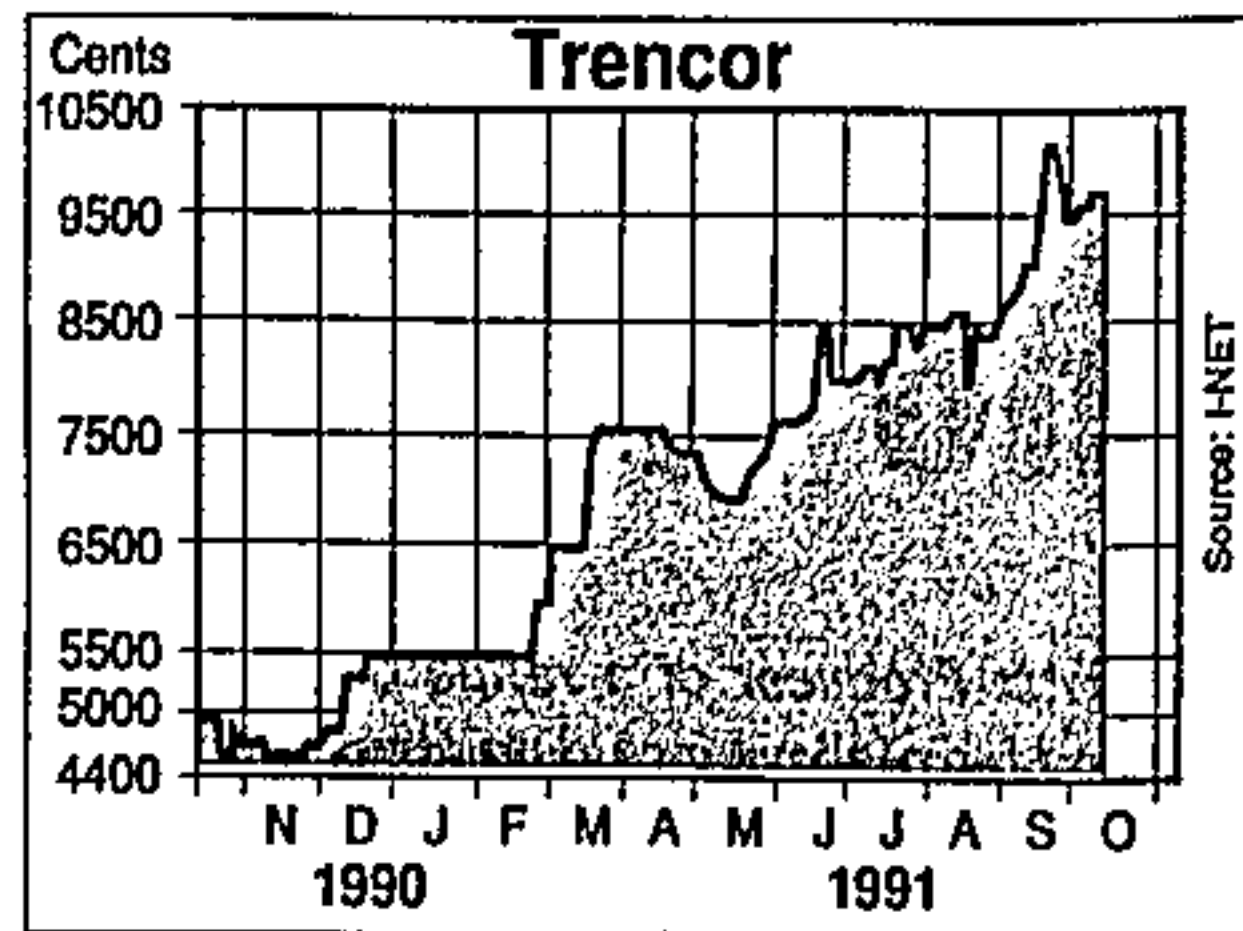
To generate these sales, Trencor has strategically based international business offices in low-tax jurisdictions. The overall effective tax rate was just 17% in fiscal 1991. Earnings from these sources have also embodied the advantage that returns to SA have been made in hard currency, offsetting the depreciating rand. But this did not apply in 1991 since there was no effective decline in the rand/dollar exchange rate.

Container prices softened, reports Jowell, who points out that the container plant is dedicated to exports, which are produced with almost 100% local content. Without government export incentives, he says, this activity would not be competitive.

His admission draws attention to a potential Achilles heel. With deregulation enjoying high priority, the consequences of withdrawn export incentives would be serious. Meanwhile, it appears as if there will be continuing downward pressure on margin from international competition.

The same can be said of the tyre business, where deregulation and the imminent lifting of import duties are cause for concern in the short term. With its investment of 21% in Contred, which produces Goodyear and Kelly tyres through its subsidiary Tycon, Trencor may yet have to suffer a further decline in earnings contribution in this area. However, Contred's other subsidiary, Tredcor, which distributes all brands of both imported and local tyres, could benefit from the new legislation.

Owing mainly to strong demand for containers, Henred-Fruehauf, Trencor's 75% owned subsidiary and largest manufacturer of truck trailers in SA, which diversified into container manufacturing, remained profitable. The local trailer market reached its lowest level in 20 years, says Jowell. Even so, a new R11,5m trailer manufacturing facility was opened in Cape Town in February.



Jowell reports a full order book for containers "for some months ahead" and adds that there is increasing demand for tank containers for liquid products. Foreign activities, he says, should therefore again contribute more to earnings, domestic operations should produce results similar to those of 1991, and earnings should rise.

Jowell is always conservative and the market has come to expect him to produce earnings well ahead of the indication he gives. But it is difficult to suppress the feeling that heady earnings growth rates are becoming much more difficult to repeat. Even so, there are many shares on much higher PEs than 13 which do not have a comparable track record, nor the same potential that Trencor's foreign interests offer.

Gerald Hirshon

TRENCOR FM 18/10/91

## Earnings shift

**Profit sources** have changed considerably over the past five years. In 1987 manufacturing, transport and motor trade and tyres contributed 91% before tax. In 1991 their contribution fell to 52% while "trading and other" moved up to 48%.

Even now, with most of the world ready to lift sanctions barriers, chairman Neil Jowell will not disclose the precise nature of this category, which produces most of its income from offshore earnings and exports. But it is clear that it is largely the export of locally

# Longmile restructures in a bid to gain lost ground

B/DWJ.

30/10/91

196

196

DIVERSIFIED industrial group Longmile has restructured its silencer division in a bid to resume its growth pattern.

Last year the group's four-year inflation beating growth pattern was interrupted when strained business conditions, exacerbated by strikes and labour unrest in the silencer division, caused a hefty 37% drop in earnings.

In his annual review, chairman Hendrik Potgieter said: "The group has taken the opportunity to restructure itself so as to enable it to take full advantage of an economic upswing as and when it occurs."

He said the restructuring of the silencer division saw the manufacturing, retailing and franchise operations organised into separate divisions.

Potgieter said towbars, trailers, shock absorbers, batteries, tyres and silencers were now distributed through the Kwik-Fit, Silencer Shop and Silencer Service outlets.

## MARC HASENFUSS

Grapnel towbars and silencers, produced by the manufacturing arm, would be distributed through Grapnel distribution network to the motor industry.

Under the new structure the division was trading profitably, Potgieter said. The labour problems experienced in the silencer division had been redressed and production had returned to normal.

He said Longmile had disposed of its fastener division after the year-end.

The disposal was prompted by the depressed local market for fastener products and the inability of the division to compete in the export market due to its relatively small manufacturing capacity.

Potgieter said the effect of the sale on group earnings and net asset value would be negligible.

The group's tyre division was also affected by labour unrest but Potgieter said these problems had been

addressed and had already resulted in improved manufacturing performance.

Although the annual report does indicate divisional contributions to earnings, it is widely believed that the combined tyre venture between Tycon and Tredcor has been the gem in Longmile's stable.

However, government's easing of import control on tyres could increase competition in the tyre industry and put pressure on operating margins in the year ahead.

The launch of Kwikfit early last year required significant capital funding which affected Longmile's balance sheet. At year to end June 1991 gearing stood at a relatively high 64,9% (53,2%), the current ratio remained at an acceptable 1,2:1 and interest cover dropped to a five-year low of 3,1 (3,9) times.

Longmile slumped to a 150c low earlier this month but recovered well to trade at 190c last week. The share peaked at 225c in March.



FM 1/11/91  
**WAYNE MANUFACTURING**

**Diversifying for growth**

In spite of lower demand for PVC and rubber products in the mining and industrial sectors, Wayne managed to increase earnings and turnover in real terms and expects to increase earnings again this year. (196)

The plastics division, which makes PVC boots and hot-water bottles, was the weakest performer, despite diversifying from gum-boots, supplied mainly to the mining industry. The Phoenix, resin and rubber divisions, however, all improved earnings. Rubber, with a range of 3 000 products, was the star.

FM 1/11/91

196

**Activities:** Manufactures rubber products for footwear and industrial use.

**Control:** Conshu 84%.

**Chairman:** R M Feinblum; **MD:** R D Radford.

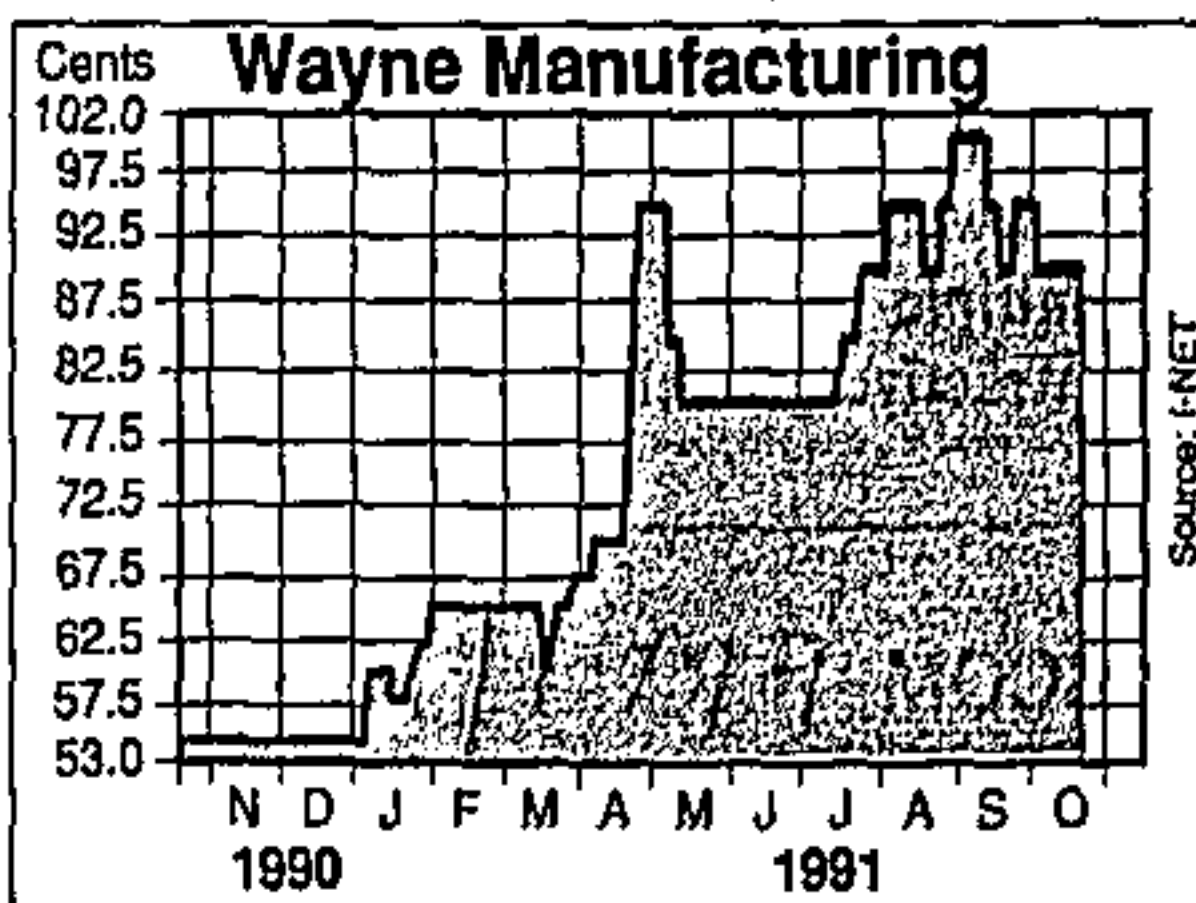
**Capital structure:** 61m ords. Market capitalisation: R55m.

**Share market:** Price: 90c. Yields: 6,7% on dividend; 16,9% on earnings; p:e ratio, 5,9; cover, 2,5. 12-month high, 100c; low, 55c. Trading volume last quarter, 110 000 shares.

Year to June 30	'88	'89	'90	'91
ST debt (Rm) .....	0,5	0,5	1,8	2,3
LT debt (Rm) .....	0,7	1,1	0,6	1,2
Debt:equity ratio .....	0,08	0,27	0,03	0,05
Shareholders' interest .....	0,45	0,44	0,72	0,69
Int & leasing cover ..	6,7	6,7	5,3	4,4
Return on cap (%) ..	24,8	26,7	15,2	17,9
Turnover (Rm) .....	16	21	111	130
Pre-int profit (Rm) ...	2,2	2,9	12,8	17,1
Pre-int margin (%) ..	13,5	13,4	11,6	13,2
Earnings (c) .....	9,1	11,6	13,0	15,2
Dividends (c) .....	3,7	4,6	5,2	6,0
Net worth (c) .....	37,1	44,0	99,3	108,5

Cape-based competitor Rubber Products & Mouldings was acquired from the beginning of this year and renamed Wayne Rubber Western Cape, which should add R23m to sales.

MD Rob Radford says the year was characterised by aggressive marketing, effective asset management and strict expense control. Stock turn was raised from 8,5 to 9,2 and debtors increased by just over 7%, compared with a 17,3% increase in turnover.



Interest paid, however, rose more than 60%, as there were acquisitions in the last quarter of the previous year, though interest and leasing cover was a healthy 4,4.

Chairman Robert Feinblum says Wayne has the financial strength to develop all resources and maintain leadership in the supply of rubber and PVC products. The Phoenix and Wayne Rubber divisions have been merged. The group continues to increase its product range to diversify from its former position of predominantly a boot and footwear components manufacturer.

EPS have risen steadily over the past four years, though returns on equity and capital have suffered since the old Phoenix Rubber bought Wayne from Conshu at the beginning of financial 1990. The share may be underrated at a p:e of 5,9 and dividend yield of 6,7%, in view of its good record and financial management.

Stephen Cranston



Stev 20(11/9) (196)  
Trencor NPLs

### to be listed soon

The JSE has granted listings from December 19 for nil paid letters of allocation for the 6 percent convertible debentures to be issued by Trencor and Mobile Industries.

The rights offer of 2 862 680 debentures of R91 each in Trencor is aimed at raising R280,5 million for the development of the company's interests in manufacturing, trading, tyres, exports and overseas operations.

The offer of 5 872 620 debentures at R22,50 each in Mobile is aimed at raising R127,6 million to enable Mobile to follow its rights in the Trencor offer in full.

The last day to register for the rights offer, is Friday. — Sapa.

(196)  
B/day  
21/11/91  
**Rubber to  
be cheaper**

**BRENT VON MELVILLE**

KARBOCHEM, SA's sole manufacturer of synthetic rubber, has reduced the prices of its Afpol and Afsol (styrene butadiene rubber) product ranges.

The price reduction follows the international weakening of monomer prices and Karbochem's commitment to gradually bringing its prices into line with import parity.

Karbochem MD Ben Schoeman said prices of oil-extended styrene butadiene rubber grades had been decreased by about 4,5% and prices of non-oil-extended rubber by about 4%.

He said prices for these products had remained unchanged since April 1990, despite increases in input costs caused by the high inflation rate.

The synthetic rubber products are used in the production of tyres, conveyor belts, and have wide applications in the mining industry.

Karbochem recently reopened part of Sentrachem's mothballed Newcastle synthetic rubber plant to produce alkyl amines, used in the manufacture of agricultural chemicals, explosives, rubber and water treatment chemicals.

## COMPANIES

# Tiger lines up full export order book

MARC HASENFUSS

THERE was significant upside potential in most areas of Tiger Wheels's activities for the year ahead, as well as opportunities to further increase wheel exports, according to joint chairmen Eddie Keizan and Martin Glatt in their annual review.

The chairmen said that the manufacturing division had already secured an order to supply alloy wheels to a major German car plant.

The tooling and approval process should last most of next year with real benefits to sales and profitability being felt in the years ahead, they said.

They said capital expenditure should be less than in previous years, with the main focus being on debottlenecking and productivity improvement.

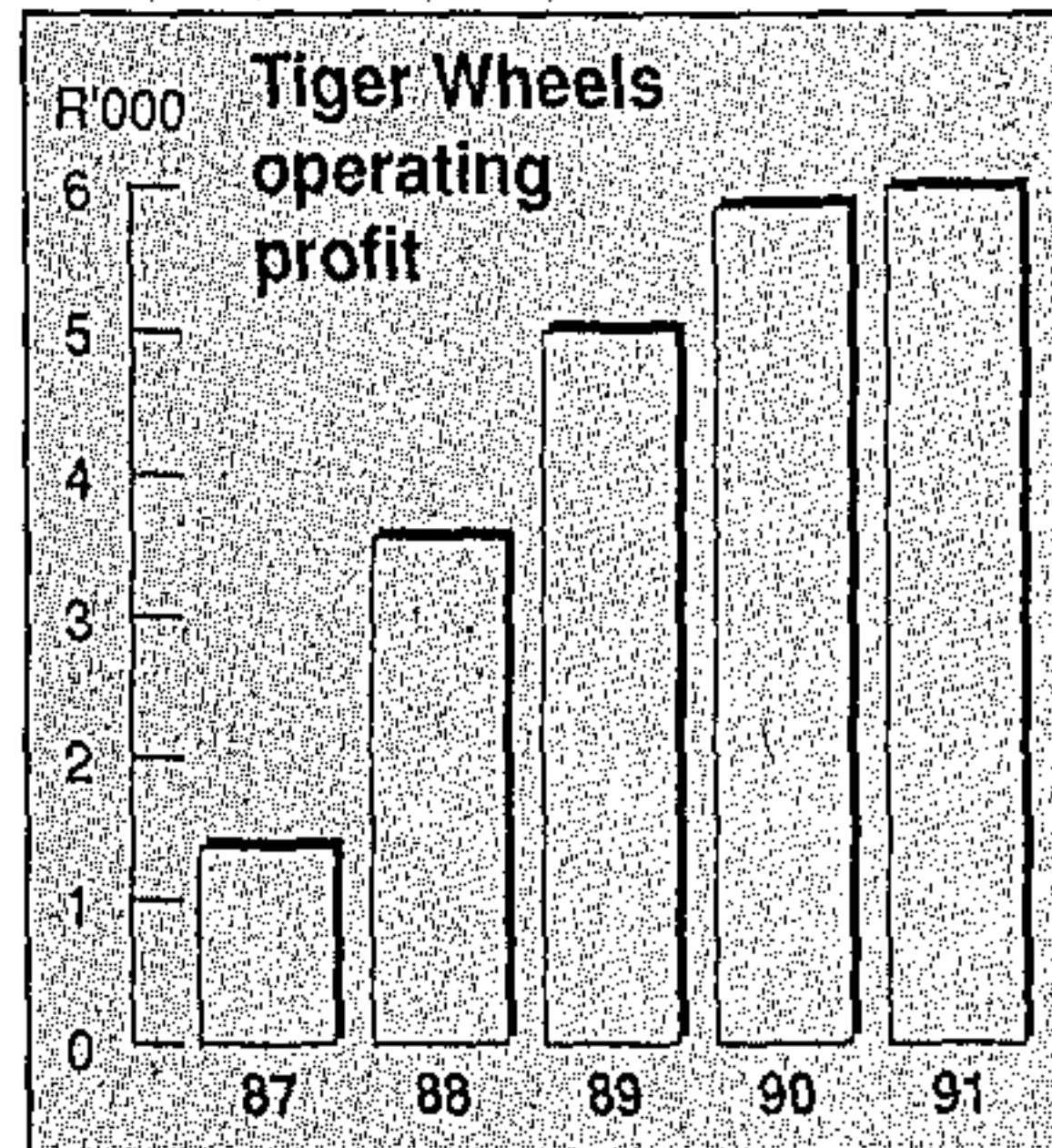
"Prospects for the year ahead look good with a full export order book and a steady domestic demand anticipated."

Exports of wheels almost doubled for the fifth consecutive year and could have been higher were it not for supply problems at the group's factory and the effects of the Gulf War, they said.

In the year to end June, Tiger Wheels' consistent growth record was interrupted when faulty raw material resulted in a R2m abnormal loss, pushing earnings down a hefty 46% to R1,84m (R3,42m).

After incurring losses in the first half of last year, the group's UK wholesale business returned to profitability in the last quarter.

The business, in which Tiger has a 30% stake, has grown considerably in market share, staff and facilities and is poised for



Graphic: FIONA KRISCH Source: TIGER WHEELS

healthy growth when the UK economy recovers, the chairmen said.

They said plans to form an association in the US to establish a distribution business were at an advanced stage.

The development of further retail outlets is part of the group's long term strategy, but the chairmen stress that this would only be done when suitable high quality opportunities presented themselves.

Some instability was expected in the retail tyre market arising from the possible removal of the quantitative import control on tyres currently under consideration by government.

The chairmen said that much of the conflict between Tiger's retail stores and its wholesale customers had been eliminated by careful geographical positioning.

The share is holding steady at 55c, midway between its August low of 45c and March high of 65c.



Share Price	Consol					
3500						
2500						
1750						
1250						
800						
500						
300						
	1986	1987	1988	1989	1990	1991

Source: I-NET

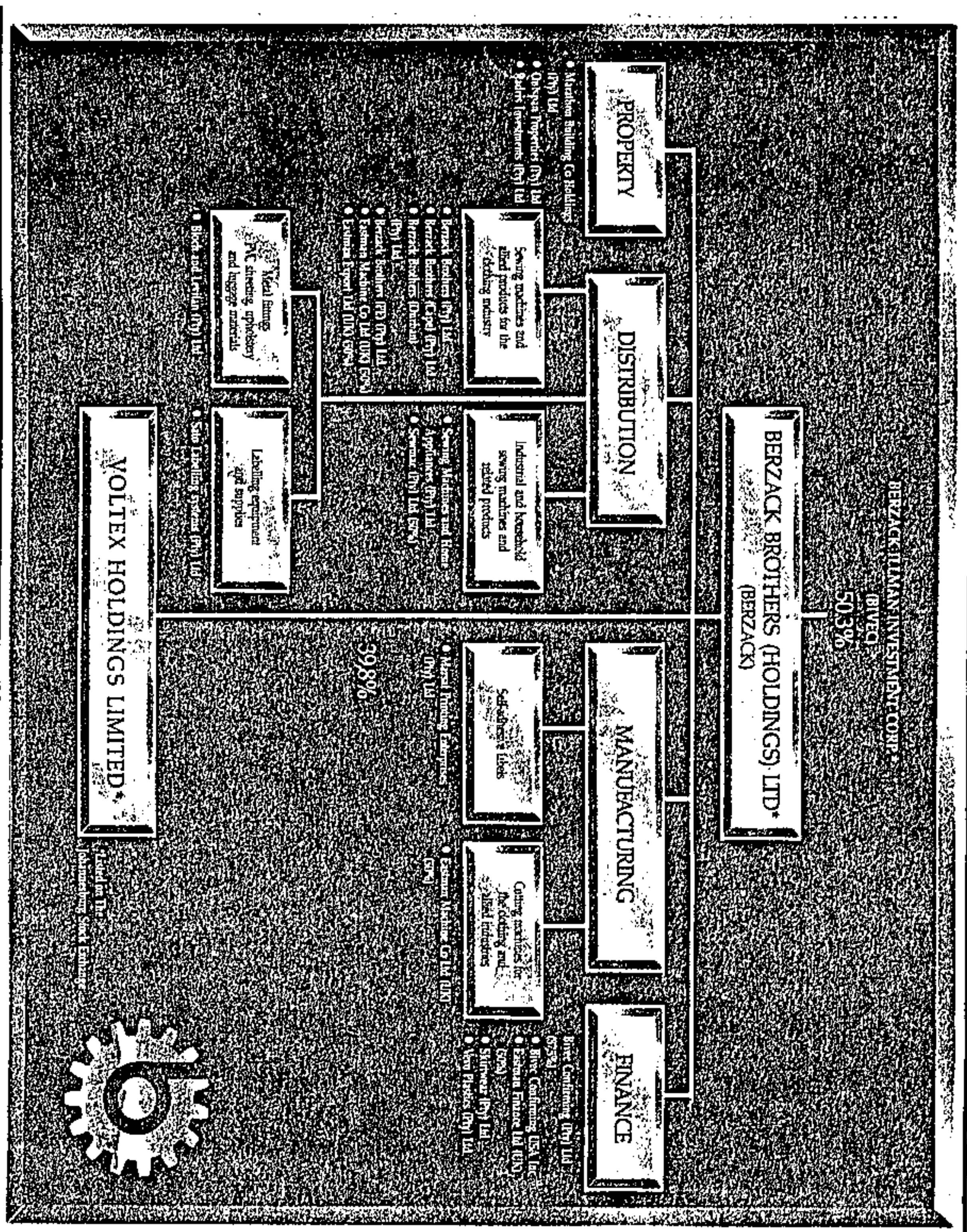
# Consol packs a punch

**PACKAGING and rubber manufacturer and distributor Consol has generated compound average earnings growth of 37% and dividend growth of 30% in the past five years. The exceptional growth and the market's faith in Consol's superior management of sound assets are reflected in an 800% increase in the share price since January 1987.**

Group managing director Piet Neethling says Consol's underlying exposure to the outstanding growth markets of beer and soft-drink packaging is the fundamental reason behind the exceptional performance. This is substantiated by Consol's average 14.6% operating margin in the past five years. The operating margin of the packaging operations is one of the highest in the industry, this average being reduced by the lower margins of the tyre distribution business.

Mr Neethling stresses, however, that the tyre distribution operations require less investment and can operate on lower margins.

The 1989 disposal of troublesome operations Gundle Plastics and Bags & Sacks has also highlighted the fine performers in the group which were previously somewhat disguised by these poor ones.

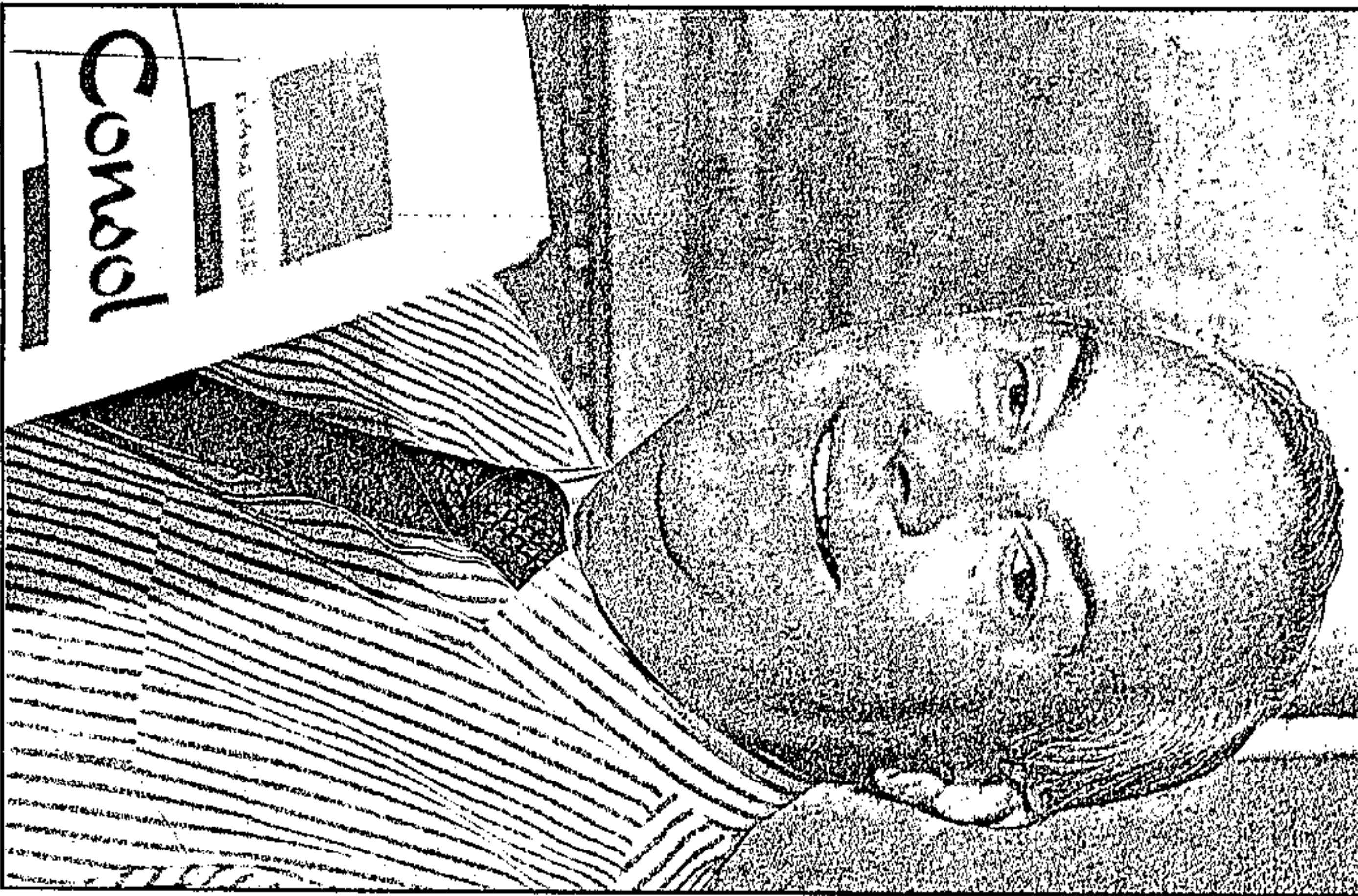


## Exposure

Mr Neethling places emphasis the strong cash-generating characteristics of the packaging division. This was one of the main reasons that Consol was able to effect the R176-million acquisition of tyre manufacturer Goodyear in 1989. The acquisition was subsequently merged with Tredcor into what is now known as Contred, a tyre manufacturer and distributor (61% owned by Consol).

Consol's exposure to mass non-durable and semi-durable markets with strong potential and has successfully diversified the group's interests. It would be unrealistic to expect Consol to produce a dynamic earnings performance in the current

The scenario is, therefore, not quite as bleak as it was a few months ago. Consol's recent rights issue has resulted in the issue of 8.3-million 5% convertible debentures. They are unlikely to convert to ordinary shares until July 1997 after the ordinary dividend exceeds 180c and will thus benefit earnings without any dilution at earnings a share level for some time to come. The rights issue raised R360-million and is expected to reduce debt by about R120-million, leaving



PIET NEETHLING... packaging a cash cow in beer and soft-drink markets

lets this year, analysts forecast real attributable earnings growth for the group, assisted by the fiscal year most of the benefit affecting the second half. Most are confident that Consol will resume its above-average earnings performance, given the growth potential of the sectors it serves. The share continues to command a high rating in the market. But on the strength of superior earnings growth prospects, it shows value about the current price of 3 500c.

**6**  
 1986-1991  
 R10 000-2000  
 R109 900-2000  
 4000-2000

By HEIDI VOLLMER  
 Investment analyst,  
 Simpson McKie Inc



# Mixed bag of results from Darmag

STAR

10/12/91

196

Darmag, Anglo-American's rubber and plastics manufacturer and supplier, has turned in a mixed bag of results for the six months to September.

Turnover was down slightly from R14,066 million in the corresponding period last year to R13,757 million.

Income attributable to shareholders was, however, marginally higher at R1,135 million (R989 000).

Earnings per share amounted to 5,1c (4,5c).

No dividend is being paid.

The company says the expected increase in sales in the first half of

the year never materialised because of a decline in demand for its rubber and some plastic products.

The company says the attention afforded to working capital provided a positive cash inflow, resulting in lower interest paid, which amounted to R226 000, compared with the R632 000 paid in

the same period last year.

Future plans include diversification, but this is not expected to make any contribution to earnings in the current year.

The company says profits for the current financial year are expected to, at best, be the same as those achieved last year. — Sapa.

# Tighter controls keep Darmag earnings ahead of falling profits

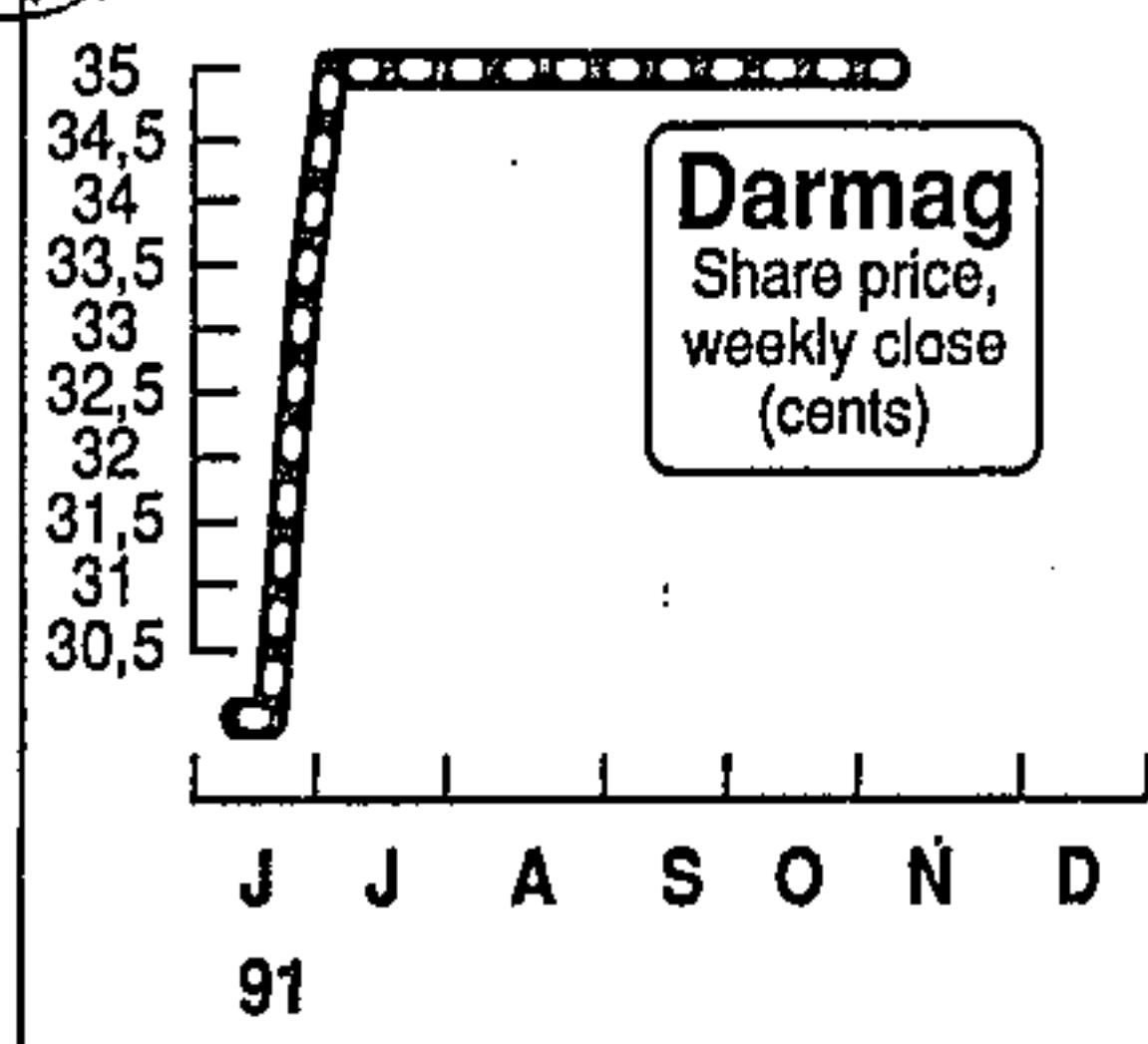
ROBERT LAING

TIGHTER control of working capital and reduced fixed overheads helped Ciskei-based rubber and plastics producer Darmag increase earnings 15% in the six months to end-September despite profits falling 18%. *Birden 10/12/91*

Electronics-listed Darmag, which depends on the lead acid battery industry for most of its sales, experienced reduced demand for its rubber products and some plastic components. Turnover fell 2% to R13,8m from R14m in the 1990 period.

Directors said the market was weak and competitive, limiting the chances of recovering rising costs.

Margins slipped to 10% from 12%, resulting in operating profit falling 18% to R1,4m from 1990's R1,7m. This was offset by 64% lower interest payments of R226 000 (R632 000) as short-term borrowing fell to R890 000 (R1,2m), cash rose to R2,6m (R16 000) and a bank overdraft of R2m was paid. The reduction in interest and the Ciskei's lower tax rate boosted attributable earnings 15% to R1,1m from last year's R989 000.



Graphic: LEE EMERTON Source: I-NET

Earnings were 5,1c (4,5c) a share but no interim dividend was paid. Darmag has not paid an interim dividend since 1989.

Investment planned for new machinery and entry into diversified markets would not contribute to final results. Directors forecast profits for the full year would remain at 1990's level. Last year's final dividend was 2c on earnings of 8,8c a share.

Darmag's share price has not moved from 35c since July and is 35% under its net asset value of 54,4c a share.



# Goodyear, Dunlop to pump up prices

B/day 12/12/91 196

ROBERT LAING

TWO of SA's major tyre manufacturers — Goodyear and Dunlop BTI — said yesterday tyre prices would increase by 12% in December and January respectively.

Goodyear's prices would be increased from December 23 and Dunlop's from January 6, spokesmen said yesterday.

A General Tyre spokesman said the company was still considering its prices for next year, while Firestone spokesman Philip Nel said it would not increase prices in the near future.

And in a related development, the SA Tyre Manufacturers' Conference (SATMC) confirmed yesterday it had made an application to the Board of Trade and Industry (BTI) to have a 30% import ad valorem duty imposed on imported tyres.

SATMC spokesman Gert Fisher said his organisation — which represents Dunlop, Firestone, Goodyear and General — sent its application to the BTI last Friday.

He said the SATMC requested the BTI to place a straight 30% ad valorem duty on imported tyres, and to limit the quantity of imported tyres to the levels of 1988.

Fisher estimated imported tyres accounted for a quarter of tyre sales.

Tyre importer Theo Preston said tyres made in Eastern Europe and the Far East were about 25% cheaper than those manu-

factured in SA.

Standard locally manufactured car tyres cost about R220, compared with between R120 and R165 for imports.

A National Association of Automobile Manufacturers of SA spokesman said increased tariff protection on tyres would not affect manufacturers because the BTI's Phase VI programme made tyres eligible for duty rebates.

He said the 12% increase announced by Goodyear and Dunlop was acceptable since it was less than inflation and the producer price index.

The industry's application for increased protection follows the BTI's October announcement that it would scrap duties and quantitative import control on foreign-made tyres on December 31.

According to the SATMC, passenger tyre imports rose 43% from 1,67-million kg in the first five months of 1990 to 2,39-million kg between January and May this year, while truck tyres increased 38% from 2,02-million kg to 2,78-million kg.

The present tariff is intended to increase the landed cost of tyres from between R6 and R8 a kg to the cost of locally manufactured tyres, which is about R11/kg.



# Vehicle owners caught in middle get backhand blow

# Car tyre prices row brews

DUNLOP BTR's tyre prices go up next week, while those of Goodyear go up in January. Firestone and General may follow suit.

In the same breath, local tyre manufacturers want the Government to restrict the importation of cheaper tyres from Eastern Europe and the Far East.

In the last two years the prices of locally made tyres were kept low because of cheaper imported tyres. If the Board of Trade and Industry approves the request by local tyre manufacturers car and taxi owners will find the imported tyres no longer available, or cost the same or more than local tyres.

Tyre dealers oppose the application for higher import tariffs.

Said one: "Overseas competition kept prices low. Local manufacturers are now getting the Government to stop these cheaper tyres from coming in and, in the meantime, give the consumer a backhand by raising their prices."

According to Dr Gert Fischer, director of the South African Tyre Manufacturers Conference which represents local tyre manufacturers, his organisation wants import controls retained until effective anti-dumping legislation has been passed.

He says the tyre increase has nothing to do with the request for increased import control.

His organisation wants a higher tariff duty on all tyres and tubes, except for tractors, for four years. This, he says, will help the industry restructure itself for open international trade.

After this period, the level of protection will be reduced. He also says the removal of this protection must be synchronised with the removal of restrictions on the import of raw

A row is brewing in the car tyre industry. Car tyre prices are going up next week while tyre manufacturers want the import of tyres, some of them cheaper than local products, stopped. Sowetan business editor THAMI MAZWAI looks at the issues involved.

materials.

According to a local finance weekly, manufacturers have asked for an increase of at least 10 percent in import duties and for a reduction in the quantities of tyres that can be imported by dealers.

Fischer maintains local tyres are competitive against certain European brands. He also says some of the imported brands are a hazard.

The car tyre companies confined the price increases, but did not respond to questions why they wanted imports restricted.

The South African Black Taxi Association, National African Federated Transport Organisation and South African Long Distance Travel Association, who represent the country's more than 100 000 taxi owners, are up in arms.

"We will certainly fight this. Also, some of the local tyres are not as good as imported ones," said Saldta's Mr Mesh Kgaphola.

Sabta's Mr Mike Ntlatleng says: "This will be taken up at the next meeting we have with manufacturers in January. However, I must warn that new tyre prices will force taxi owners to increase fares."

The issues in this row go much deeper. In fact, it is the protectionism - unemployment

debate revisited.

Manufacturers generally argue that if cheaper products are brought in, they are forced to lower prices. Their profit margins are slashed. To stay in business they are forced to cut costs, and this means reducing labour.

In this case, tyre manufacturers buy their synthetic materials from Sentrachem. In turn, this company gets some of the raw material, to wit synthetic rubber, from overseas suppliers.

According to *Finance Week*, tyre manufacturers cannot afford the tariffs to import synthetic rubber.

The Government says there are no restrictions.

Fischer says: "No import permits for natural and synthetic rubber are granted to our industry."

Tyre manufacturers thus buy from Sentrachem which, obviously, charges them more than they would have paid.

Sentrachem says it reduced the price of its "product to the tyre industry" by close to five percent. Mr G Broekhuizen, a manager, says: "Sentrachem is trying to support the local tyre industry which employs some 10 000 people."

Sixty percent of the industry was lost in Australia when manufacturers allowed tyres to be freely imported. If this happened in our country, Sentrachem would have to close the manufacturing plants in Newcastle, causing job losses.

On the other hand the Government, which must decide on the SATMC application, says the application by SATMC will be gazetted for all concerned to give their views before a decision is taken.

According to Mr Raoul Heyns, chief director

of the Board of Trade and Industry, the existing

import controls on tyres will be retained until December next year on condition that the industry applies for additional tariff protection.

This is what SATMC has done.

Synthetic rubber, he says, may only be imported by licence. Sentrachem apparently holds such a licence.

Although the "protect us to keep people in employment" argument by local manufacturers does hold water, it does not explain their decision to simultaneously ask for import restrictions while they increase prices. And this, when some had healthy profits last year.

Also, local manufacturers are multinationals who compete in overseas markets. Their technology allows them to. Why fear competition in this country?

Mancur Olson, a Danish writer, may have the answer. In his book, *The Rise and Decline of Nations*, he says: "Coalitions slow down the capacity to adopt new technologies and to reallocate resources in response to changing conditions."

He further says "special interest organisations and collusions reduce efficiency and aggregate income in the societies in which they operate."

Many South African industries enjoyed Government protection because of international pressures and the country's volatile political situation.

As this is changing, they now realise the going will be heavy. They are now clinging to yesterday's layers of protection.

This, and not rising costs or unfair overseas competition, might be Sentrachem and the tyre manufacturers' problem.

MANUFACT. — Rubber products

1992



## Trencor, Mobile in demand

JABULANI SIKHAKHANE

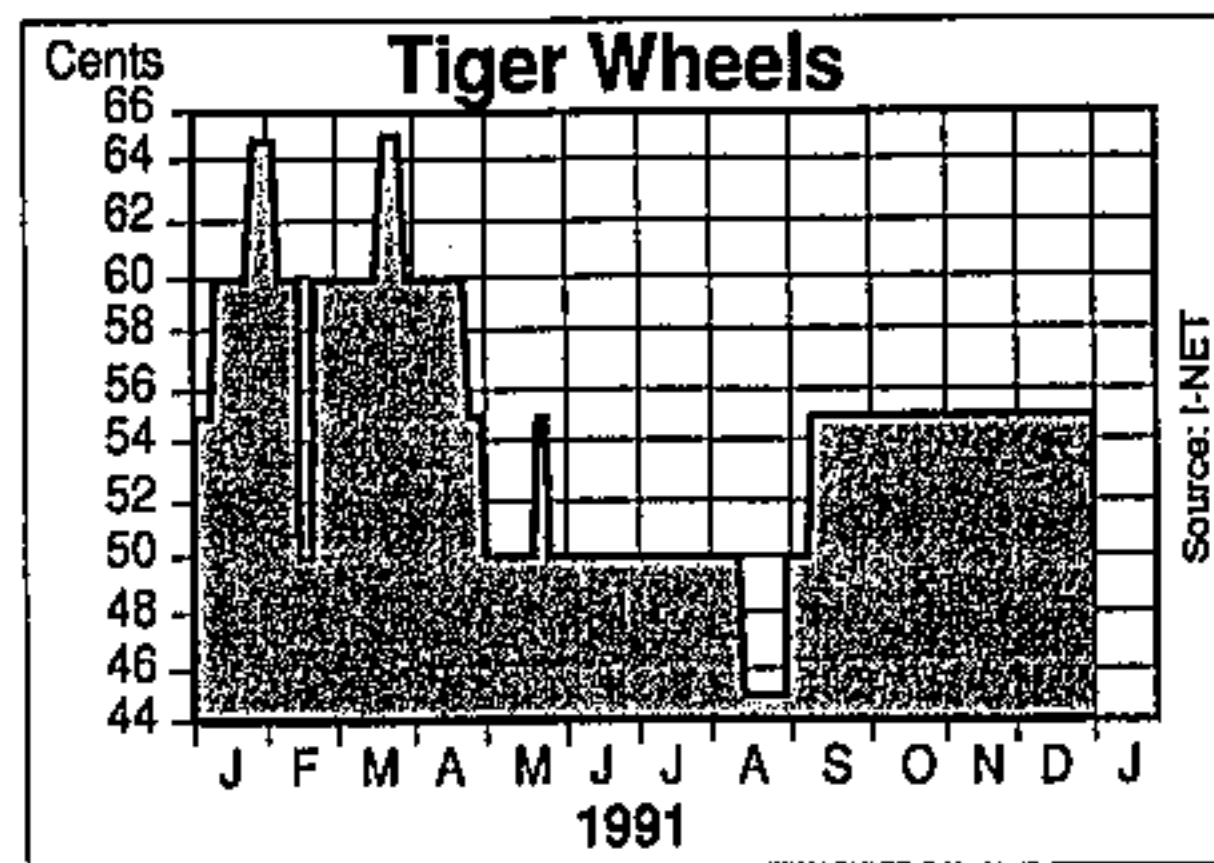
(196)

TRENCOR and its holding company Mobile's rights offers were oversubscribed, it was announced today.

Trencor, a diversified industrial group, issued 2,86-million 6% convertible debentures of R91 each to raise R260,5m and Mobile raised R127,6m to follow its rights in Trencor. *Biday 3/1/72*

The funds are to be used for the development of Trencor's manufacturing, trading, tyre, export and overseas interests.

The debentures automatically convert into ordinary shares on a one-for-one basis from July 1 of the financial year following that in which the total dividend declared is equal or exceeds 546c a Trencor share and 135c in the case of Mobile.



**Activities:** Manufactures and distributes wheels, high-performance tyres; distributes motorbikes and vehicle body parts.

**Control:** Directors 81%.

**Executive chairman:** E I Keizan.

**Capital structure:** 29,5m ords. Market capitalisation: R16,2m.

**Share market:** Price: 55c. Yields: 5,5% on dividend; 11,5% on earnings; p:e ratio, 8,7; cover, 2,1. 12-month high, 55c; low, 45c.

Trading volume last quarter, 16 712 shares.

Year to June 30	'88	'89	'90	'91
ST debt (Rm) .....	0,4	0,1	2,6	1,1
LT debt (Rm) .....	0,9	1,6	5,4	6,4
Debt:equity ratio .....	0,1	0,1	0,50	0,55
Int & leasing cover ..	9,8	11,3	9,7	4,6
Return on cap (%) ..	19,7	25,2	22,8	28,2
Turnover (Rm) .....	27,6	41,2	51,7	64
Pre-int profit (Rm) ...	3,3	4,5	5,7	6,1
Pre-int margin (%) ..	12,9	12,1	12,4	9,4
Earnings (c) .....	8,6	11,3	13,2	6,3
Dividends (c) .....	2,5	4,5	4,5	3,0
Net worth (c) .....	24,5	33,7	47,9	46,4

up interest charges.

Other reasons for higher borrowings were the difficult economic conditions, low demand during the Gulf War, depressed markets and competitive pricing in the domestic retail business, says chairman and CE Eddie Keizan.

The restraint this year will be the group's ability to manufacture enough to meet the orders, which are said to be healthy. Management is looking for a significant increase in turnover and a return to the 1990 earnings level. The Babelegi plant is mastering the new hi-tech equipment but has not yet achieved its potential.

Keizan remains convinced there is significant upward potential in most areas, the most promising being the opportunity to develop wheel exports. A major export order has been obtained from a German carmaker from June next year. Wheel exports have doubled for the fifth consecutive year and could have been higher in the past year if not for the supply problem and the Gulf War.

The group has established a toehold overseas, but so far the operation has not been profitable. The UK wheel and tyre business in which Tiweel has a 30% interest was affected by the UK recession. Losses incurred in the first half were only turned around in the last quarter. But, with increased market share, staff and facilities, the UK interest may see healthy growth when the UK economy improves, says Keizan.

There are also plans to form an association in the US to establish a distribution business. This is aimed at gaining entry to the US

wheel and tyre markets and making the most of international trading opportunities.

On the domestic front, the after-wheel market is showing resilience but the wholesale tyre market remains hostile and competitive. Retail operations director Keith Rivers is cautious about development of further outlets at this stage.

Still, Keizan is confident earnings will improve this year. The shares are standing at a price of 55c and have traded in a fairly narrow range in thin volumes over the past 12 months. On balance, automotive companies offer little enticement for investors in the short term.

Liz Rouse

## TIGER WHEELS FM 10/1/92

### Rough ride 196

**Tiger Wheels** had a rough ride in the past year but the way ahead looks promising. Positive features of the 1991 results were a 25% advance in turnover and a 6% rise in operating income. The dominant negative was a 46% slide in earnings after four years of growth.

In particular, the wheel division ran into a pothole. Because of problems with raw materials at the Babelegi aluminium wheel factory, orders could not be met from the wholesale, retail and export divisions. This caused a R2m abnormal item, which helped to push

# Firestone to

FIRESTONE's tyre prices would increase by between 9,5% and 11,75% on January 27, a company spokesman said yesterday. (196)

Gentyre would also be notifying tyre dealers of an increase soon, the level of which was still being decided, Gentyre MD Clive Tutton said.

Firestone's price hike follows similar increases by Goodyear and Dunlop on December 23 and January 6 respectively.

In a related development, tyre manufacturers said they would attempt to gain protection by lobbying government to set safety standards which would effectively ban cheap tyres imported from the Far East.

Tutton said: "We are expected to manufacture tyres to the standards of the European 'E-Mark', allowing



# Firestone to increase tyre prices soon

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Tutton said: "We are expected to manufacture tyres to the standards of the European 'E-Mark', allowing

them to be used on Mercedes and BMW cars destined for export. But at the same time, we have to compete against cheap, low quality tyres from the Far East which cannot be sold in Europe."

Tutton said there were no SA laws governing tyre quality standards, so any tyres could be imported irrespective of their safety.

SA Tyre Manufacturers Conference (SATMC) spokesman Gert Fisher said a committee had been formed by tyre makers and the SA Bureau of Standards (SABS) to set quality standards which all new tyres sold locally would have to satisfy. It would meet on February 16, he said.

The recent price increases sparked outcries from Sabta and some tyre

dealers because they coincided with an appeal to government from tyre makers for import protection.

Fisher said the industry had requested the Board of Trade and Industry to hold tariff protection, which was to be scrapped at the end of December, until a local "safety mark" had been regulated.

Tyremakers requested protection because they were forced to buy rubber from Sentrachem's Karbochem plant in Newcastle. Fisher said the BTI had indicated that Karbochem's protection would be phased out and tyre makers would be able to buy raw material on the open market.

However, a Karbochem spokesman said there were no moves to remove the import control and tariffs which protected it.

Fast food

# Firestone trying

## to find a home

196

STAR 15/1/92

At this stage it looks as though Fedvolks' motor component division will not be going to Murray & Roberts' industrial division. However it could end up in M&R's engineering division Genrec.

Fedvolks' motor division is dominated by tyre manufacturer, Firestone.

It seems that there were negotiations between M&R's industrial division and Firestone last November following the restructuring of Sankorp's assets. This restructuring involved assets in M&R, Malbak and Fedvolks.

Back in October, Sankorp indicated that its long-term plan for Fedvolks was to focus on services operations. This meant that another home would have to be found for Firestone and the rest of the motor components division.

The most obvious choice was M&R. Less obvious was Malbak which had recently shed its tyre interests and was probably not too keen to get Quality Tyres (which is now part of Firestone) back into its stable.

### Logical fit

Sankorp chief Marinus Daling believes that M&R seemed the most logical fit for Firestone. "We believe it's a capital intensive operation rather than consumer oriented."

But this leaves things far from resolved. As Mr Daling stresses, it's up to M&R to take a close look to see if Firestone does fit and if so, where.

If M&R is not interested or cannot come up with strong enough justification for taking Firestone into its camp, then alternative plans will be made.

According to M&R chief executive Dave Brink, there were discussions between Firestone and M&R's industrial division

Diagonal Street

ANN CROTTY



during November. The issue was referred to M&R Holdings at the end of November but was not approved and discussions on the matter were closed.

However he adds: "Although we didn't want to proceed with it in November, the debate might be revived."

It seems that revival would depend on one of M&R's operations providing strong enough motivation. With the industrial division out of the picture, it would now be up to Genrec to make whatever running.

But, Mr Brink stresses it would not be a head office matter: "We work on a decentralised basis and we would therefore expect the individual manager to make a strong enough case."

If M&R does not acquire Firestone, then it will be back to the drawing board for Sankorp and Firestone.

As Firestone is not a listed company, there are no figures available on its size or profit performance. Industry sources indicate that the company is going through pretty tough times and appears to be suffering more than the other three players — Dunlop, Gentyre and Goodyear.

Whatever happens to Firestone there is the additional consideration that the tyre industry is in need of some rationalisation. Each of the four players is making more or less the same wide variety of products which means there is little chance of economic production runs.

**DAVID LOVELY** who joined Murray and Roberts in 1969 and has been chief executive of M&R Industrial since 1990, has resigned with effect from end-February. He will be going to Bible College.

Apparently Mr Lovely announced his resignation during December and is currently on holiday. When asked if Mr Lovely's resignation had anything to do with possible disagreements involving M&R, Mr Brink replied: "No, I don't think so."

# Shake-up threatens tyre industry

BT Day 15/1/92

ROBERT LAING

SA's four tyre makers faced a major shake-up if import protection was relaxed, sources said yesterday.

Tyre makers managed to delay the Board of Trade and Industry's decision to scrap duties and quantitative import control at end-December by appealing for increased protection.

However, analysts said if the industry failed to convince the BTI that controls were necessary, competition from cheaper imports would cut the number of manufacturers to two.

Market speculation is that FSI's Gentyre is set to buy Sankorp's Firestone. And Anglovaal's Trencor (whose subsidiary Tycon makes Goodyear) is said to be set to buy the tyre interests of BTR Dunlop.

Gentyre chairman Terry

Rolfe said: "The logic behind the rumours is correct because the industry does need rationalisation. But to my knowledge no talks are taking place." (196)

Rolfe said the market supported four tyre makers as a result of import protection. Without protection only two would survive.

"We have four manufacturers making all types of tyres. To compete against imports, companies will have to develop niches and lengthen production runs."

The change in technology from textile to steel-belt radial tyres forced the industry to spend between R100m and R150m upgrading factories, and some groups might decide to sell instead of making the in-

vestment, Rolfe said.

Trencor chairman Neil Jowell said: "There is a strong case for rationalisation, but no discussions are taking place. If government relaxes import protection, local industry will be forced to rationalise."

Speculation about BTR Dunlop selling its tyre interests was based on the group's UK parent company, BTR, selling its tyre factories worldwide to Japanese investors.

BTR Dunlop MD Clive Hooper was not available for comment yesterday.

Federale Volksbeleggings' motor component division chairman Tony Barnes said he was not negotiating Firestone's sale.

However, the group was considering repositioning Firestone and other motor division companies within the Sankorp conglomerate.

Sources said Federale Volksbeleggings' motor component division would probably be placed under Murray & Roberts.



# New law to limit tyre <sup>(196)</sup> imports

Business Editor

NEW legislation is expected to limit the import of cheap tyres from the Far East to "reasonable levels," reducing pressure on SA manufacturers, analyst Jacques Pickard of stockbroking firm Davis Borkum Hare points out in an in-depth look at the tyre and rubber industries.

The legislation, due to come into force in March, is aimed at reducing tyre imports to 1988 levels.

Pickard says that the SA tyre industry is "under significant pressure due to the importation of cheap tyres from the Far East", which have captured 25% of the market.

"In 1988, tyre imports into SA amounted to approximately 9m kilogrammes and are estimated to have grown to 17m kilogrammes in 1991."

## Disadvantaged

Pickard says the SA tyre industry is "reasonably efficient. Overheads are minimised by operating on a three shift, six day per week basis. Capacity utilisation in the industry is between 80% and 85%."

However, he points out, "the local industry is disadvantaged by high local prices for synthetic SBR (styrene butadiene rubber) and BR (butadiene rubber), and for nylon raw materials."

It is also disadvantaged by the small size of the market and by the need to produce tyres of high quality.

"It is probable that the Far East tyre exporters have access to favourable financing and gain advantageous fiscal credits on their tyre exports."

Pointing out that "the tyre industry is an important employer of labour and its disruption would have an adverse effect on the SA economy", Pickard says: "The Board of Trade and Industries has become aware of the scale of, and reason for, the import of tyres."

## Tyre makers seek import duty hike

<sup>B/S 24</sup>  
The local tyre manufacturing industry's application for the lifting of the average duty on imported tyres and tubes to 50% was published in the Government Gazette on Friday.

Dunlop, Firestone, Gentyre and Tycon — acting through the SA Tyre Manufacturers' Conference (TMC) — also applied for a total ban on the importation of second-hand tyres.

The Board of Trade and Industry (BTI) indicated it would undertake a full investigation into the matter.

The TMC said the local tyre indus-

<sup>11/2/92</sup>  
try's share of the market had dropped to about 45% with imported products comprising about 25%. (196)

TMC director Gert Fischer said increased competition had eroded margins to the extent that the industry's return on investment was only 24% in 1990 before interest and tax.

He added 1991 margins were expected to be well below Sacob's recommended minimum return of 31% on capital employed.

SEAN VAN ZYL

## Recession puts brakes on at BTR Dunlop

STAR 18/2/92 196

In spite of tough trading conditions, BTR Dunlop has managed to contain earnings a share decline to 17 percent for the year ended December to 239 cents on sales four percent lower.

Preliminary figures for the year released yesterday show sales were lower at R672 million while trading profit was down to R101,2 million from the previous year's R134,2 million.

Profit attributable to shareholders was down to R56,6 million from R67,4 million.

A final unchanged dividend of 105 cents a share was declared, bringing the total for the year to 165 cents a share.

BTR Dunlop managing director Clive Hooper said the sales decline of 14 percent was mainly due to the continuing recession coupled to the fact there were few major capital projects in the mining industry during 1991.

Four group companies, he said, had been affected by the eight percent decline in new vehicle sales in 1991. — Sapa.

## Wankie to be modernised

STAR 18/2/92

HARARE — Wankie Colliery, with a monthly output of 70 000 tons, hopes to boost production by up to 50 percent with a five-year modernisation programme.

However, managing director Kudzai Bwerinofa says the coal mining giant stands to lose more than Z\$24 million this year if it does not get a price increase.

Coal prices on the international market are between \$35 and \$40 a ton, while Zimbabwe's most expensive coal is fixed at about \$12 a ton. — Sapa-Reuter.

## Conshu blames shoe imports for profit drop

STAR 18/2/92

Conshu has been hit by the recession and in spite of an export drive has reported a fall in earnings of 10 percent for the six months to December.

The group said yesterday that earnings per share fell from 33c for last six months of 1990 to 30c for the same period last year.

Attributable income was down by eight percent at R13,9 million (R15,2 million).

A factor in the fall in the figures was a 91 percent increase in the number of imported shoes.

Consu CEO Robert Finblum said: "Despite the imposition of increased tariffs in August last year, the damage caused by the import of 6,7 million pairs of shoes in the first six months of 1991 impacted heavily on our business, causing a reduction in output which resulted in layoffs and short-time at our factories during the July to December period last year."

Reduced consumer demand and the introduction of VAT were other factors that brought about the drop in profits. — Sapa.

31 December 1990 half year figures have not been restated. For this reason a comparison between the periods may not be meaningful.

Management is paying urgent attention to profit improvement



# Conshu loses 9% in earnings

WILLIAM GILFILLAN

CONSHU Holdings has attributed a 9% drop in earnings to R13,9m from R15,2m in the six months to December to the closure of a factory at its 84%-held subsidiary Wayne Manufacturing.

The factory, Phoenix Rubber in Durban, was closed after a supervisor was shot at the factory gates last July.

"The factory became unmanageable after this incident," said Conshu CE Robert Feinblum.

Increased competition from imports and the recession in SA also contributed to shoe manufacturer Conshu's moderate 4% rise in turnover to R329m from R317m. Operating income fell to R31,6m from R35,7m despite the higher turnover.

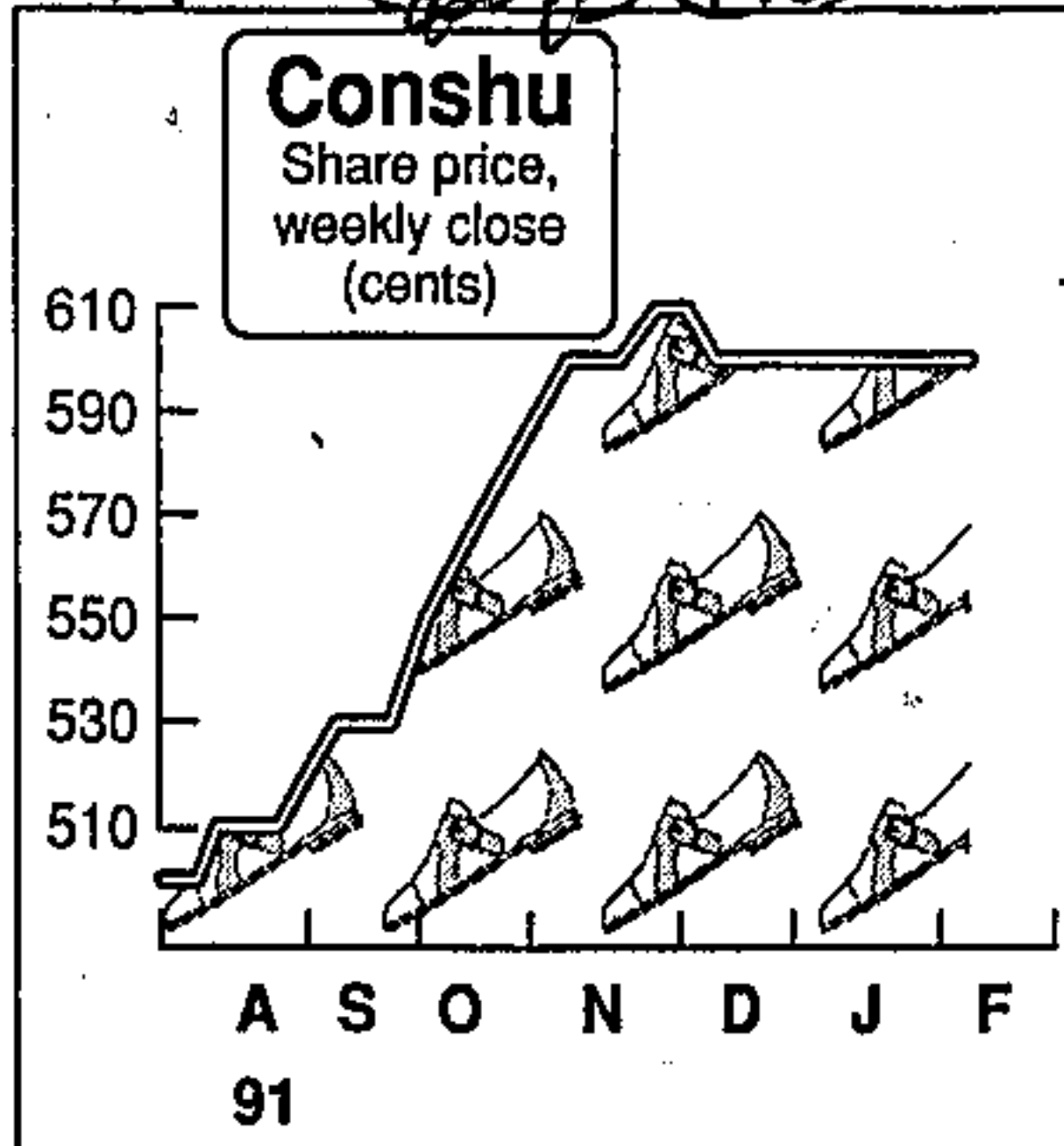
The operating margin, down to 10% from 11%, was lower largely because Conshu management decided to take the Phoenix closure costs above the line. (As the costs were of a non-recurring nature they could have been taken below the line in the form of an extraordinary item).

Export incentives reduced the group's tax rate to a relatively low 41%.

"Our exports have increased substantially and we are predicting export turnover of about R17m in the year to end-June," Feinblum said.

Referring to the Wayne Manufacturing subsidiary, Feinblum said its turnover had declined marginally to R61,5m from R62,7m in the six-month period.

However, the loss in turnover as a result



Graphic: LEE EMERTON Source: I-NET

of the Phoenix factory closure had been offset by the inclusion for the first time of about R8m in turnover following Wayne's acquisition of Rubber Products & Mouldings (now called Wayne Rubber Western Cape) in July last year.

The Phoenix factory had now been broken up and its production relocated at four other Wayne divisions.

Despite the drop in earnings a share at both Conshu and Wayne, the interim dividend has been maintained at both groups. Conshu declared an interim dividend of 11,5c a share on earnings down to 30,1c from 33c a share. An interim dividend of 1,75c a share was declared on earnings a share of 4,9c (5,4c) at Wayne.

# BTR Dunlop hurt by imports

5 Day 18/2/92

196

SEAN VAN ZYL

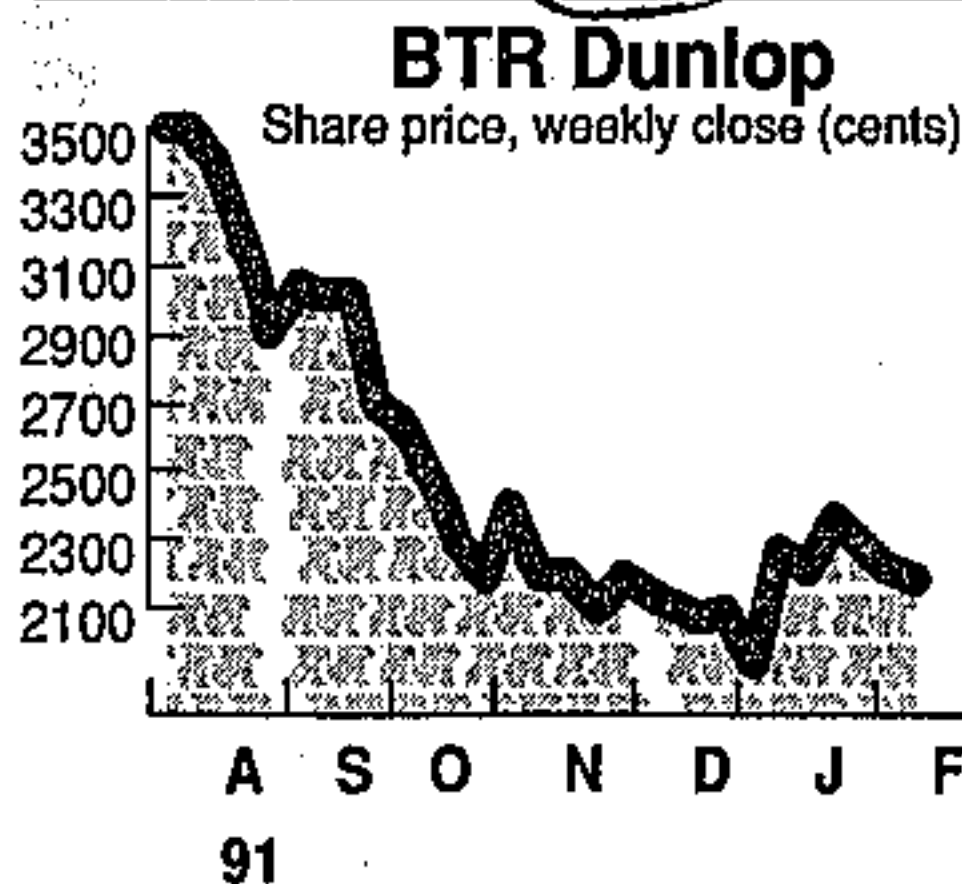
TYRE and rubber product manufacturer BTR Dunlop has disclosed a 16% drop in attributable earnings to R56,6m for the year ended December.

MD Clive Hooper said the decline in earnings was due to the recession and increased import competition in the tyre replacement market.

He added that car sales in 1991 dropped by 8% on the previous year which also adversely affected the group's sales.

Earnings came in at 239c (1990: 287c) a share. The dividend payout was maintained at 165c a share which was in line with the previous year. However, the dividend cover slipped marginally to 1,5 times from 1,7 times.

Sales dropped 4% to R672m (R700,8m) while operating profit fell by 25% to R101,2m (R134,2m).



Graphic: LEE EMERTON Source: I-NET

The decline in operating income relative to sales showed the operating margin was down to 15% compared with the previous year's 19%.

In addition, finance costs for the year rose by 30% to R11,5m (R8,8m), adding further strain to the decline in earnings. However, a much lower tax bill of R33,1m (R58m) helped soften the drop in bottom-line earn-

ings which amounted to R56,6m (R67,4m) for the year.

Hooper said the company's performance was negatively affected by a drop in mining industry projects and car sales during the year.

He said imported product competition created additional pressures.

"Substantially increased imports of new and second-hand car and truck tyres, as well as used tyre casings for retreading, have adversely affected Tyre's results.

"These imports accounted for 25% of the replacement market and over half originated from the Far East."

Further to its R100m capital expenditure programme launched in 1989, Hooper said BTR Dunlop planned to invest additional funds in coming years to expand its interests in the steel car, light and heavy truck tyre markets "to meet the swing to these products in the marketplace".

# Overseas operations help Trencor to defy recession

CAPE TOWN — Overseas operations and exports enabled the diversified Trencor group to defy recessionary trends in the local economy and produce a 22,8% rise in earnings in the six months to end-December.

Trencor is involved in the manufacture and export of containers. It manufactures trailers and operates in the transport and tyre sectors.

An interim dividend of 42c (35c) was declared on earnings of 312c (254c) a share.

An improved year-on-year performance in foreign currency terms was made by Trencor's overseas operations which, together with exports, contribute about 60% of the group's total earnings.

The world container market had been stable and the export of containers buoyant, Trencor chairman Neil Jowell said yesterday.

On the local market the group's broadly spread transport interests — which represent about 10% of bot-

tom-line earnings — did better than last year, but the engineering and tyre divisions fared worse as the recession took its toll on these sectors.

Turnover rose 22,8% to R479m (R390m) but as the mix of business changed in favour of the high turnover low-margin tyre business, margins slipped to 14,8% (15,6%) and operating income showed only a 16,4% rise to R71m (R61m).

A sharp cut in interest-bearing debt saw finance charges drop to R11m (R10m). Attributable income of R45m (R36m) was notched.

Trencor's convertible debenture issue to raise R260m happened too late to have much effect on the interim results, but Jowell said the money raised would contribute an estimated net income of R13m to the final results.

Plans were in place to spend the money raised on expanding existing businesses. Opportunities were being

"actively developed" but Jowell did not believe the bulk of the money would be spent by year-end. About R52m of the funds were used to cut interest-bearing debt to R40m, bringing gearing down to 6% (27%).

Year-end results would show an improvement but would be lower than last year's 28,5% increase, Jowell said. A slowdown in the rate of growth was forecast for the next six months.

The international container market was weaker because more capacity had come on stream. In the final two to three months of the financial year containers would be exported on contracts concluded on less favourable margins.

Trencor's parent, Mobile Industries, which has a 48% stake in Trencor, produced interim earnings of 78,1c (63c) and declared a dividend of 10c (8,2c). Its 74%-held subsidiary, Mobile Acceptances, which is involved in financing and leasing, produced "satisfactory" profits.

B10ay 26/2/92  
LINDA ENSOR



# BTR Dunlop verdict due today

BID ay . 10/3/92  
SA's longest strike by more than 900 BTR Dunlop workers could be closer to resolution if an Appeal Court hearing today rejects BTR Dunlop's appeal against a 1989 Supreme Court decision in favour of the union.

The Supreme Court decided the president of the Industrial Court should have recused himself as he had associated himself socially with BTR management. BTR wants that decision set aside so the Industrial Court judgement — that the dismissal of strikers was legal — would hold.

Ex-BTR worker and Numsa organiser Phillip Dladla said the majority of workers dismissed in 1985 were still unemployed, meeting regularly and demanding their jobs back.

DIRK HARTFORD

He said their dismissal had a devastating effect on Howick as BTR Dunlop was the major employer there. But the union had organised a T-shirt and agricultural co-op which had provided income for some.

Dladla said Numsa's campaign to get the dismissed workers reinstated had been one of the biggest waged by the union movement. This included:

- Numsa representatives attending BTR's general meeting every year to put the strikers' position;
- An international tour by a drama group of Sarmcol workers; and
- Solidarity action by Dunlop workers in SA and abroad.

# Tiger Wheels' sales up

*Biday 10/3/92* (196)  
TIGER Wheels' sales rose by nearly a third in the six months to December 1991, but it was not enough to stop competition from imported tyres battering profit margins and reducing operating income by nearly a fifth, today's published results show.

Sales rose 27% over 1990 from R30,6m to R39m but operating profit fell from R3,2m to R2,6m due to a drop in operating margins from 10,4% to 6,6%. Tiger Wheels CEO Eddie Keizan said domestic and export retail sales were up.

Exports had grown significantly and Tiger's Babalegi plant would be expanded to cope with growing demand, Keizan said. However, uncertainty regarding the outcome of the

EDWARD WEST

referendum forced the group not to disclose too much information about export activities.

The reimposition of tyre import quotas would hopefully stabilise prices as the local industry had faced tough competition from imports last year, Keizan said. Without the quotas, retrenchments and production cuts would have been inevitable.

Earnings increased 364% to R1,4m, but this was off a low base because the group had to absorb a R2m abnormal item in 1990 relating to faulty materials. Earnings were equivalent to 4,7c (1,1c) a share.

# Tyre manufacturers to lobby govt over imports

B/Daw 19/3/92 196  
EDWARD WEST

THE Tyre Manufacturers' Conference (TMC) plans to lobby government in coming months to allow the R1,6bn-a-year tyre industry to import raw materials instead of sourcing locally, said TMC chairman Gert Fischer.

This follows an application earlier this year by the TMC — representing the country's four tyre manufacturer's Dunlop, Firestone, Gentyre and Tycon — to raise average ad valorem tariff from 25% to 50% on all new imported tyres and tubes and a total ban on importing second-hand tyres.

Fischer said, for instance, tyre manufacturers were forced to buy synthetic material from Sentrachem's Karbochem plant in Newcastle. The industry had on numerous occasions applied for import permits for synthetic rubber, but these had been turned down by government.

Dunlop MD Clive Hooper backed Fischer's view. He said the company would like import controls lifted on raw material.

"We support seven single source suppliers in this country and we feel the entire production chain in the tyre industry should be liberalised,

not just tyre manufacturing."

Fischer said the availability of cheaper raw materials would enable the tyre manufacturing industry to become internationally competitive.

"In the current environment, the SA tyre industry cannot compete on equal terms with foreign manufacturers as a result of significant and entrenched socio-economic, financial, technical and structural disadvantage."

These imbalances created barriers to the relaxation of trade regulations and import protection measures would be necessary to ensure the long-term viability of the industry, said Fischer.

Trade and Industry Board import control director Piet Barnard said import permits for synthetic rubber were turned down as a protective measure for local synthetic rubber producers.

He said government had given the tyre industry an undertaking to keep import controls on tyre products in place until December 1992 and import controls on rubber products for

tyres in place until June 1993.

The industry applied for higher tariff duties after local manufacturers' share of the local replacement market eroded to just 45%, with imported new and used tyres claiming 25% of the market, said Fischer.

The number of imported tyres in the second half of 1991 rose in spite of the existence of import controls, tariff duties, formula duties and even voluntary trade restraint on the part of Japanese tyre exporters, he added. Japan accounted for 50% of SA's tyre imports, he said.

Tyre Dealers' Association executive director Vio Fourie said the doubling of the ad valorem duty would control or prevent the import of inferior standard tyres.

There was a glut of new car tyres on world markets, he said.

The industry has also been knocked by the recession. Dunlop's Hooper said production had dropped from 100% of capacity in 1990/91 to about between 80% and 85% of production capacity in 1992.

Fischer said the industry was operating at an average 70% of production capacity this year.

## Silver lining in the furniture sector

B/Daw 19/3/92 196  
MARCIA KLEIN

RESULTS posted by major furniture groups reflect the full extent of the decline in consumer spending.

Analysts said yesterday that although they expected results from major furniture groups to be below those of the previous year, the extent of the fall in earnings was disappointing, especially at an operating level.

But they also said they would have been even more worried if furniture companies reported good results, as this would have implied increased sales on credit.

Results came on the back of dramatically reduced sales over the 1991 calendar year. Figures from the Retailer Liaison Committee show that overall sales of furniture, appliances, TV and audio equipment grew by only 6,6% at current prices compared with 25,8% in the previous year.

Recently Rusfurn reported a R44m

loss, Ellerine a 32% drop in interim earnings and the JD Group a 37% fall in earnings for financial 1991. Results from Amrel and manufacturer Afcol are expected to follow this trend.

In the office furniture sector, Mathieson & Ashley's interim loss of R1,3m reflects its first reported loss since 1985, while Grant Andrews reported a R4,1m loss and announced it would delist from the JSE.

But analysts said that with weak consumer spending, especially on durables, companies would have had to loosen credit facilities and survive on suspect debt to show any growth.

Most of the major retailers had instead prudently controlled debt and were "sitting back and waiting".

When the economy did recover,

furniture companies would show an excellent turnaround in results — although off a low base — and they should benefit more than many other industries in an upturn, they said.

An analyst said Ellerine's results had been good, bearing in mind that they included a nine-week strike over its busiest period. JD Group, which most analysts rate as the second-best performer to Ellerine in the furniture sector, had been "a bit disappointing".

Analysts said that although furniture share prices had corrected lately and longer term prospects looked good, it was not time to buy shares yet.

They said the furniture companies could expect at least another six months of tough conditions, but most were sitting on good yields.

EXECUTIVE SUITE

By William Wells and Jack Lindstrom



## BUSINESS

# Gentyre rides rough road with unchanged dividend

Finance Staff

196

STAR 27/3/92

A five-week strike added to the woes of a depressed economy for Gentyre in its 1991 year when the market for tyres fell by between eight and 10 percent.

The directors say lower profitability was further affected by a substantial increase in imported passenger tyres and used casings and widespread discounting in the industry.

Earnings a share fell to 392c from 442c in the previous year. However, dividends for the year were unchanged at a total of 112c with a final of 57c.

The industrial products division maintained sales and prof-

its at 1990 levels in spite of severe cutbacks in the level of spending, particularly in the mining industry.

The group maintained a high level of liquidity, giving a 55 percent increase in interest received.

Local market volumes are not expected to increase substantially in the current year but prospects for exports are brighter.

New markets have been opened up for South African manufacturers as a result of the changing political climate and Gentyre has pursued these opportunities.

The results will be shown in 1992 sales.

**Activities:** Manufactures tyres, industrial products and sports goods.

**Control:** BTR Plc 51,9%.

**Chairman:** A M D Gnodde; MD: C R Hooper.

**Capital structure:** 23,6m ords. Market capitalisation: R448m.

**Share market:** Price: 1 900c. Yields: 8,7% on dividend; 12,6% on earnings; p:e ratio, 7,9; cover, 1,5. 12-month high, 3 750c; low, 1 900c. Trading volume last quarter, 394 000 shares.

Year to Dec 31	'88	'89	'90	'91
ST debt (Rm) .....	3,4	3,5	3,5	3,2
LT debt (Rm) .....	0,3	0,5	0,4	2,1
Debt:equity ratio .....	0,02	—	—	—
Shareholders' interest .....	0,62	0,65	0,52	0,56
Int & leasing cover .....	19,9	27,6	15,2	8,8
Return on cap (%) .....	22,6	27,2	28,9	21,9
Turnover (Rm) .....	529	632	701	672
Pre-int profit (Rm) .....	74	111	134	101
Pre-int margin (%) .....	14,0	17,6	19,2	15,1
Earnings (c) .....	165	310	287	239
Dividends (c) .....	105	140	165	165
Net worth (c) .....	870	1 136	1 029	1 106

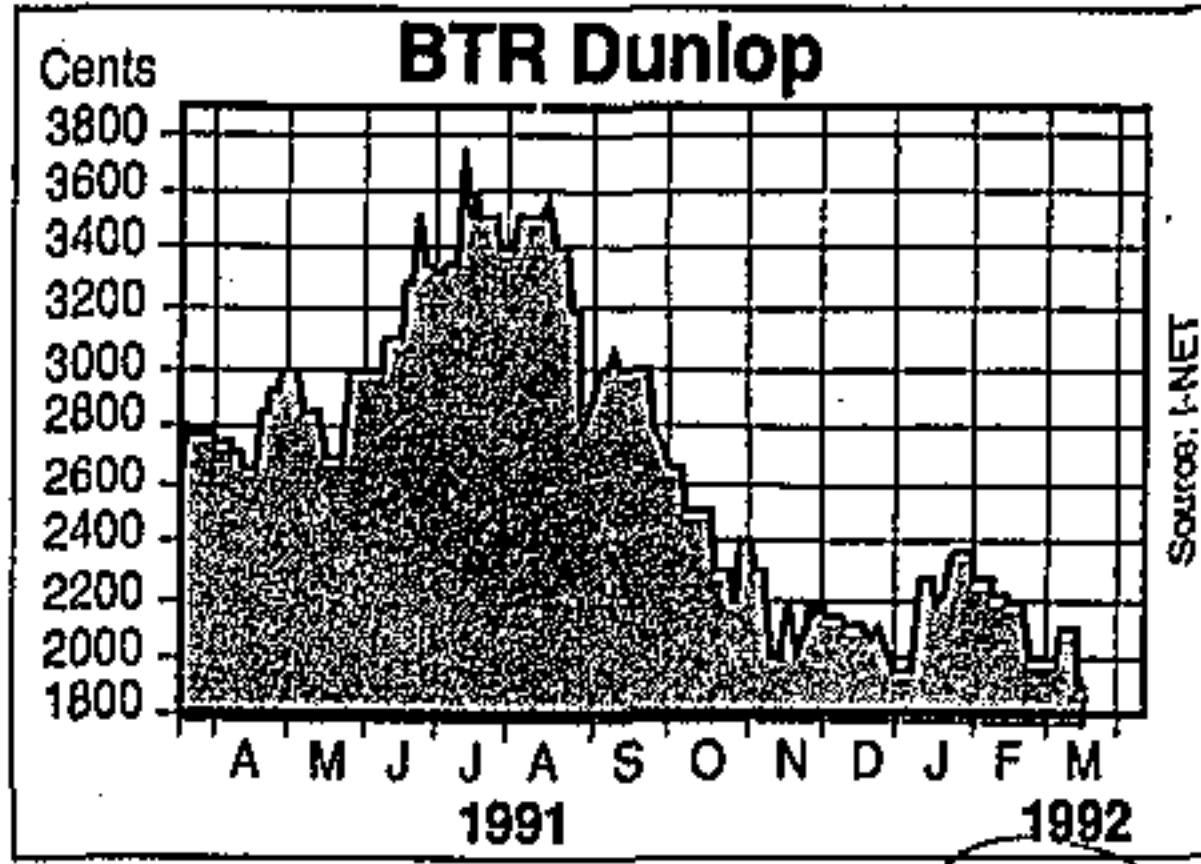
Nevertheless, MD Clive Hooper argues that BTR Dunlop did well to achieve a 15% profit margin through tight cost control. This seems to be reflected in the balance sheet. Debtors were reduced by 2% and stock increased by just 1%, though creditors were down by about a fifth. And financially, BTR Dunlop looks healthy. The balance sheet is effectively ungeared.

But if BTR Dunlop's financial strength poses few problems, the uncertainty of the trading environment poses many. Its products are broken down into three divisions, the most important being engineering and industrial, with about half of sales, trading profit and assets. Last year, it made the longest ever steelcord belt in SA, for an overland project. Despite the decline in demand for mining products, the overall margin improved and its share of trading profit increased from 45% to 48%.

The motor division, made up predominantly of tyres, accounts for 40% of sales, trading profit and assets, though its share of trading profit has fallen from 44% to 40%. In 1991, tyre industry production fell by a tenth



**BTR's Gnodde ... improvement in trading conditions**



FM 27/3/92 (196) (though Dunlop, in line with its competitors, does not give information about its own market share). The industry has applied for increased duties and the re-imposition of duty on herringbone-patterned earthmover and tractor tyres, which do not attract duty.

Dunlop has invested in plant and equipment and the tyres made at the Ladysmith and Durban factories conform to E mark requirements, which is the standard set for the European community. Many imported tyres do not conform to this standard.

A further 11% of sales and 12% of trading profit is provided by the consumer division. It, too, suffered from the "dumping" of golf balls and clubs from overstocked overseas markets. This was partly offset, however, by an increase in footwear sales and the successful introduction of the new Maxifli soft cover golf ball.

Since BTR merged with Dunlop in 1986, the industrial relations at the former's plant in Howick have been transformed. In the mid-Eighties, it was the subject of numerous disputes as the then management resisted unionisation. Last year, management and the recognised trade union were able to conclude agreements on wages and working conditions without industrial action occurring. BTR Dunlop is no longer the notorious union buster, as it offers assistance to employees such as educational benefits and housing loans. Hooper says it operates its remuneration and pension funds on a non-discriminatory basis.

Chairman Dru Gnodde says the anticipated economic growth in SA will lead to an improvement in trading conditions in 1992, so the dividend has been maintained.

BTR Dunlop sits on a p:e of 7,9 and offers a dividend yield of 8,7%. Its rating is ahead of that of Gentyre, which trades through A and B shares on about a five multiple, but because of Gentyre's more conservative dividend cover, its dividend yield is less than 5%.

The BTR Dunlop share price has been sliding during the past 12 months, partly because of the uncertainty surrounding the local tyre industry. But, with its strong balance sheet, the company must offer recovery opportunities.

Stephen Cranston

BTR DUNLOP FM 27/3/92  
**Flattened by imports**

BTR Dunlop's sales and profits were particularly hit by an 8% drop in new sales and the deferment of major capital projects in the mining industry. The key tyre replacement market was devastated by the ending of import control on tyres. This led to a surge of imported new and retreaded tyres of varying quality.



# Depressed market batters Gentyre

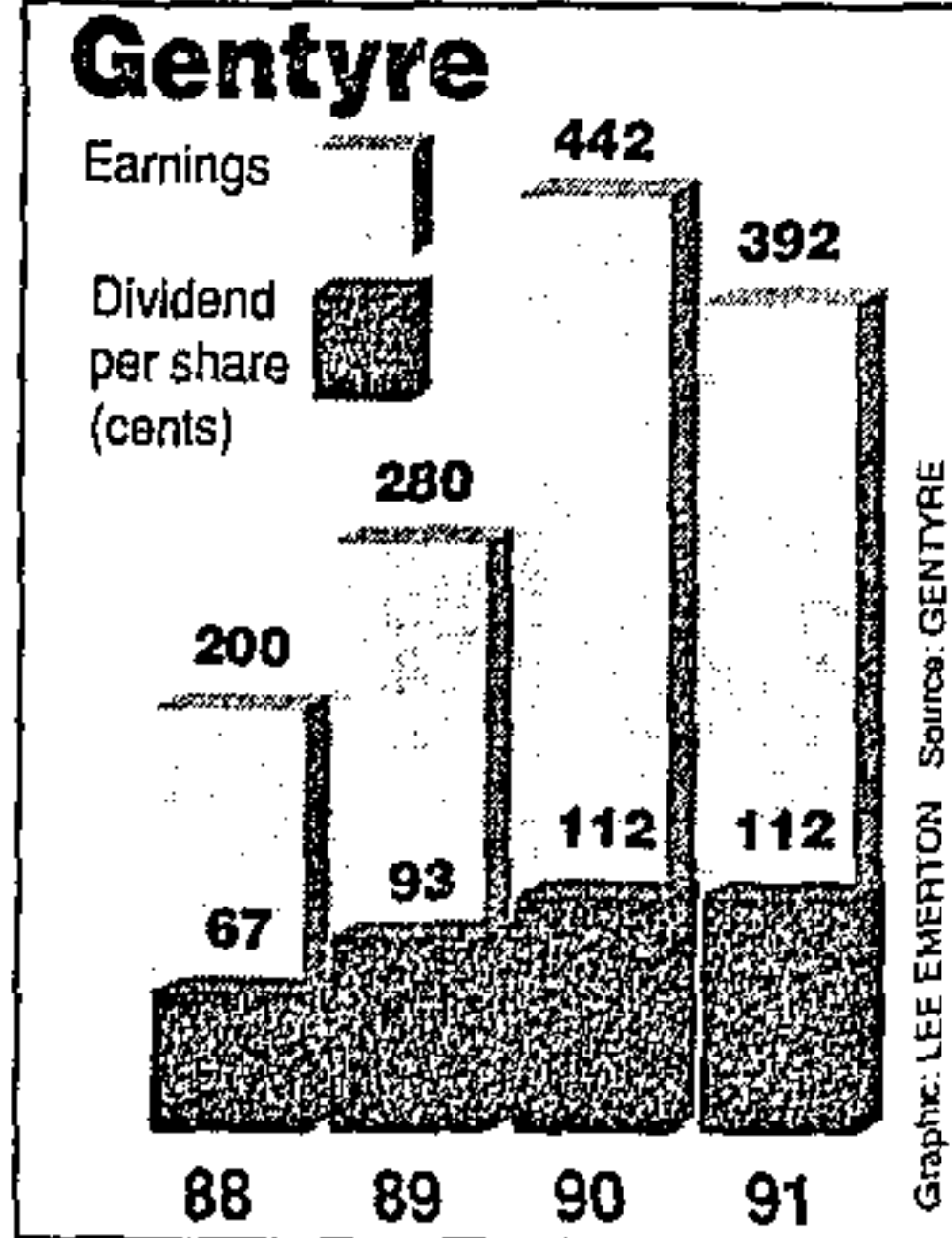
EDWARD WEST

GENTYRE's earnings in the 12 months to December 1991 were battered by depressed market conditions, competition from imported tyres, widespread discounting and a five-week strike, today's results for the 69% held W & A subsidiary show.

Turnover fell 7% to R484,4m from R520m in 1990. Operating profit dropped 17% to R52,8m from R64,1m. Income from interest rose to R7,8m from R5m. Taxed profits amounted to R61,3m compared with R69m in 1990. After minorities and preference dividend payments of R89 000, attributable profit was 11% lower at R61,2m than 1990's R68,8m.

Profitability was affected by a five-week strike in the tyre division, an 8% to 10% real decline in the tyre market, an increase in imported passenger car tyres and re-used casings, as well as widespread discounting to maintain market share, the directors reported.

The industrial products division, which manufactures industrial rubber products and which in 1990 contributed 14% of turnover, maintained



sales and profits in 1991 in spite of cutbacks in the level of spending in its markets.

Increased interest income reflected ongoing management of working capital and a high level of liquidity.

Local market volumes were not anticipated to increase substantially in 1992, but international markets had opened for SA manufacturers as a result of the changing political climate in the country, the directors reported.

[Retail + wholesale group]  
**Curnow sales up, but earnings fall**

EDWARD WEST 27/3/92

AUTOMOTIVE paint finishing supply group Curnow M & G increased sales by 14% to R44,6m in the 12 months to December 1991, but efforts to maintain dominant market share plus increased finance charges saw the W & A associate's earnings fall by 17,7% to R1,02m.

Curnow chairman Alan Schlesinger said yesterday turnover increased in spite of tough competition. However, to maintain dominant market share, prices were dropped and gross profit margins fell from 8% in 1990 to 6,3% in 1991.

As a result operating income fell 10,3% to R2,8m from R3,1m. Finance charges increased to R831 000 from R661 000. Taxed profits fell by 17,7% to R1,02m. An extraordinary item of R71 000 was incurred relating to the closure of one of its 15 branches.

Financial director Michael van Niekerk was optimistic about this year's prospects because the company had been streamlined and the first two months had been financially successful. The company would benefit from any improvement in trading conditions, Schlesinger said.

Earnings a share fell to 4,6c from 5,6c last year and a final dividend of 1c a share was declared bringing total dividends to 2c (2,5c) a share.



## M&R drives further into motor industry

EDWARD WEST

196

MURRAY & Roberts (M & R) has bought tyre producer Firestone SA, spark plug and component manufacturer Trichamp Components and shock absorber company Gabriel SA from Federale Volksbeleggings for R210m. *Blow 314192*

M & R said in an announcement published today that the acquisitions would strengthen and diversify its specialised engineering interests, broaden their range to include strong brand names and substantially increase market share.

The purchase consideration would be settled by the issue of M & R renounceable shares, it said.

M & R could also elect to take over additional liabilities of the interests being acquired, in which event the purchase consideration would be adjusted accordingly.

If the acquisitions had been effective on July 1 1991, they would have increased M & R's half-year earnings to December 1991 by 6% to 3 086c from 2 912c a share. Net asset value would have increased by 10,6% from 2 127c a share to 2 353c.

The sale of Federale Volksbeleggings' automotive interests is in line with its previously stated strategy to concentrate on leisure market segments ahead of its listing in the beverages, hotels and leisure sector of the JSE later this year.

M & R has an exposure to the motor industry through subsidiaries dealing in, among others, components, spares, and brake and power transmission systems.

As expected, Federale Volksbeleggings has sold its motor interests to Murray & Roberts (M&R) for R210m in renounceable M&R shares. Sankorp CE Marinus Daling says the sale is on an earnings multiple of about 7,5. The deal includes all of Firestone, 35% of Gabriel Shock Absorbers and 94% of Tri-champ Components.

Federale, the once-mighty Afrikaans conglomerate, is now left with an — admittedly high quality — portfolio of investments in services, including control or joint control of Interleisure, Teljoy, Avis, Interpark and Price Forbes.

Federale MD Peet van der Walt says that its unbundling is over at last, with the relatively minor exception of Continental China, which evidently was not wanted by the other Sankorp conglomerates, Malbak or M&R. He also says the group, which will be re-named Servegro, will announce a major acquisition in the services field this month.

Indeed, market speculation is that the deal will be disclosed in an Afrikaans financial journal this week, which will introduce the investing public to Servegro.

As the *FM* has pointed out, Firestone is not a perfect fit for M&R, though it is clearly the least bad fit within the Sanlam-friendly groups. Malbak, after its experience with Quality Tyres, in which it was let down



FVB's Van der Walt ... getting ready for relisting

FM 10/4/92 (196)

by unsound management practices, is not enthusiastic about the tyre industry.

Tyres are a highly competitive consumer marketing business as well as an engineering business. Firestone, Goodyear, Dunlop and Gentyre are believed to have about a quarter of the market each, though market share figures are not published. Firestone also has to compete with imports, but perhaps not for much longer.

The Tyre Manufacturers' Conference has called for a ban on imported second-hand tyres and an increase in duties to 50% to protect the four groups. But the industry's long-term future must be questionable, though it will compete on a more even footing with imports when it no longer has to buy synthetic rubber from Sentrachem.

Had the date of acquisition been July 1, M&R's EPS for the six months to December would have increased by 4,8% to 214c, and net asset value by 6% from 2 912c to 3 086c, including intangibles. Tangible NAV would have increased by 10,6% from 2 127c to 2 353c. While the deal should do no harm to M&R in the short run at least, it is not big enough to warrant any upward rerating.

Stephen Cranston



# Sabta to act on tyres 'unsuitable' for SA heat

IMPORTED tyres tended to burst in SA's warmer temperatures and were the major cause of accidents involving taxis on national roads, Sabta communications manager Molefe Rapodile said yesterday.

Sabta would take up the issue with local manufacturers to get them to introduce a tyre suitable for the SA taxi industry, Rapodile said.

With the SA Taxi Safety Action Group, Sabta would ask the SA Bureau of Standards (SABS) to conduct tests and see if SA manufacturers could design a tyre that would meet taxi specifications.

Rapodile said suppliers were importing a type of tyre not suited to SA conditions. "Climatic conditions, where these tyres are imported from, are not the same as in SA and the tyre, which is not designed for the heavier passenger intake of the SA taxi in the first place, simply bursts under the warmer temperatures in this country.

"We will take the issue up with local tyre manufacturers to get them to design tyres with specifications suited to the SA taxi industry," Rapodile said.

"Some unscrupulous dealers are importing second-hand tyres and dumping them on the taxi market," he claimed.

SA Tyre Manufacturers Conference director Gert Fischer confirmed that some tyres fitted on taxis were imported cheaply by dealers. Tyres manufactured in SA were tested by SABS for their ability to operate in SA conditions, he added.

"But even the best tyre is bound to burst

if taxis are overloaded, as was the case at the weekend when a taxi carrying 27 passengers overturned," said Fischer.

National Association of Automobile Manufacturers of SA (Naamsa) assistant director Costa Pierides said one in three accidents among taxis was caused by a tyre burst.

He said also much of the blame lay with the taxi operators themselves because, to smarten their vehicles, they fitted whitewalled, imported tyres in place of the originals.

"Tyres are engineered for a certain type of vehicle," said Pierides.

Some of the major causes of tyre bursts were overloading of vehicles, the wrong type of tyre, and incorrect inflation.

"Any tyre will burst under an overload, and the constant friction of under-inflated tyres causes a burst," said Pierides.

If discipline was maintained, vehicles were kept in roadworthy condition, and there was no overloading, the accident rate would come down, he said.

Slavis Servas, chairman of the Taxi Safety Action Group, said some suppliers were importing second-hand tyres from Europe and that put people's lives at risk.

"Locally manufactured tyres are designed for SA conditions and are backed by the SA Bureau of Standards."

Servas also warned: "You should not fit a passenger tyre where a commercial tyre should be fitted."

196  
B/Day 22/4/92  
THEO RAWANA



LONGMILE FM 24/4/92

## **Take the money!**

196

**On the face** of it, this week's effective 260c-a-share cash offer to minorities is a good one. But there are a few interesting aspects.

At first, the payout was to be 250c (*Fox* April 3). This has been revised to 260c. Net worth put at 186c (Longmile's calculation) as at June 30 will be enhanced to 247c on January 1 by the receipt of R120m from the sale of the 18% interest in Contred. However, results for the half-year to December have not yet been published, so shareholders can't see how this figure is arrived at or how their company traded in the six months.

In the 1991 annual report, fixed assets include two freehold properties valued at R15,5m.

One is valued by the directors at R1,46m in November 1969 with additions stretching from 1979-1991 costing a further R547 000; the other has a directors' valuation as at October 1978 of R99 000 with additions in 1988-1989 valued at R457 000. It would be interesting to have sworn appraised values of these to know their current worth and how, if at all, net worth would be affected.

In trying to calculate the value of assets remaining after the transaction with Contred and paying out minorities at 260c a share, it is necessary to know the book value of the investment sold to Contred. The 1991 annual report is unclear in this respect. But in any event, the controlling shareholders will be left with clean, ungeared assets.

This is an improvement in their situation and could, rightly, be viewed by minorities as enhancement at their expense. It can be argued that minorities therefore deserve a premium if they are compelled to surrender their participation.

Since Longmile was issued at 230c in 1987, it has never traded above that level. Furthermore, as pointed out in this week's announcement, the directors do not expect to be able to maintain EPS at the present 30c a share. At 260c the operation would offer an earnings yield of 11,5%, hardly attractive in the light of available interest rates. The cash must therefore be attractive.

On balance, while aspects of the offer can be quarrelled with, it seems best to accept and leave the controlling shareholders with their clean assets. Especially if (trading) liquidity is important for the investor, many quoted investments offer far better potential than the history of Longmile suggests could be achieved by staying in it. *Gerald Hirshon*

R/1000  
20/5/92

**'Job cuts no answer'**

THE tyre industry would face tough union opposition if it tried to counter the lifting of import controls with job cuts, a Numsa spokesman Les Kettleidas said in Cape Town yesterday. (196)

# Pirelli's stand on voting hostile, says Continental

HANOVER — Germany's tyre maker Continental and its Italian counterpart Pirelli might be in a position to reconsider a close business co-operation in two or three years time, Continental's chairman said yesterday.

Separately, officials of the two companies said Pirelli had filed a motion to discuss the elimination of Continental's 5% voting rights limitation at Continental's annual shareholders meeting on July 3. The limitation restricts outside shareholders to a 5% voting right regardless of the size of their stake.

Continental chairman Hubertus Von Gruenberg, at a news briefing yesterday, called the Pirelli request "hostile" on the grounds that Pirelli was a competitor of Continental.

Von Gruenberg said that despite Pirelli's planned move at the shareholders' meeting, he still saw the possibility of co-operation in the future.

"We have never ruled out" a possible co-operation with Pirelli, Von Gruenberg said, even though the most recent talks over business links between the two companies broke off late last year without success.

Pirelli officials in Milan confirmed their company had made a proposal to debate Continental's voting limitation.

Von Gruenberg said Continental's

aim was to rationalise its operations and bring unprofitable units back into the black before considering close ties with another tyre maker.

He said Continental itself saw the benefits of partnerships in the depressed international tyre market.

At the moment, Continental needed to concentrate on building profits rather than on setting up business co-operatives Von Gruenberg said.

"We need our entire energy to improve General Tyre," the US subsidiary that still was losing money in a depressed North American market, he said.

Von Gruenberg said price competition remained severe in markets, although unit sales of tyres had improved.

He said that Continental and Pirelli continued in "friendly contacts" with each other as competitors. Continental is trying to buy some of the technical products lines Pirelli has up for sale at present.

Continental is one of the few tyre makers which expects to be profitable in 1992, although it lost DM128,2m after taxes in 1991 due in part to extraordinary charges related to the closure of a plant in Canada.

Continental is the world's fourth-largest tyre maker, while Pirelli is ranked number five. — AP-DJ.



**Activities:** Manufacturer and distributor of natural and synthetic rubber products.

**Control:** F S Group through Hunts (67%).

**Chairman:** T Rolfe; **CEO:** C Tutton.

**Capital structure:** 15,6m ords. Market capitalisation: R320m.

**Share market:** Price: R21. Yields: 5,3% on dividend; 18,7% on earnings; p:e ratio, 5,4; cover, 3,5. 12-month high, R30,50; low, R19.

Trading volume last quarter, 196 000 shares.

Year to Dec 31	'88	'89	'90	'91
ST debt (Rm) .....	24,0	4,1	—	—
Shareholders' interest	0,67	0,68	0,76	0,78
Int & leasing cover ..	13,9	n/a	n/a	n/a
Return on cap (%) ..	22,7	22,0	20,2	14,4
Turnover (Rm) .....	389	452	520	484
Pre-int profit (Rm) ...	56,2	63,3	64,1	52,8
Pre-int margin (%) ..	14,3	14,0	12,2	10,8
Earnings (c) .....	200,0	280,0	442,0	392,0
Dividends (c) .....	67	93	112	112
Net worth (c) .....	1 074	1 250	1 545	1 825

86% of turnover and profits. Rolfe believes Gentyre has positioned itself particularly well to answer changing demands by keeping abreast of the latest technologies and by implementing them at considerable cost.

Continental of Germany, for which Gentyre manufactures in SA under licence, has been instrumental in assisting in this.

Despite these efforts — and in 1991, another R44,3m was applied to improving and acquiring fixed assets — Gentyre failed to “produce the returns which should have accrued to the extensive capital expenditure.”

Rolfe ascribes this largely to declining productivity in the work force. He refers to this on no less than three occasions in his statement but won't be drawn on the precise yardstick he uses to compare productivity.

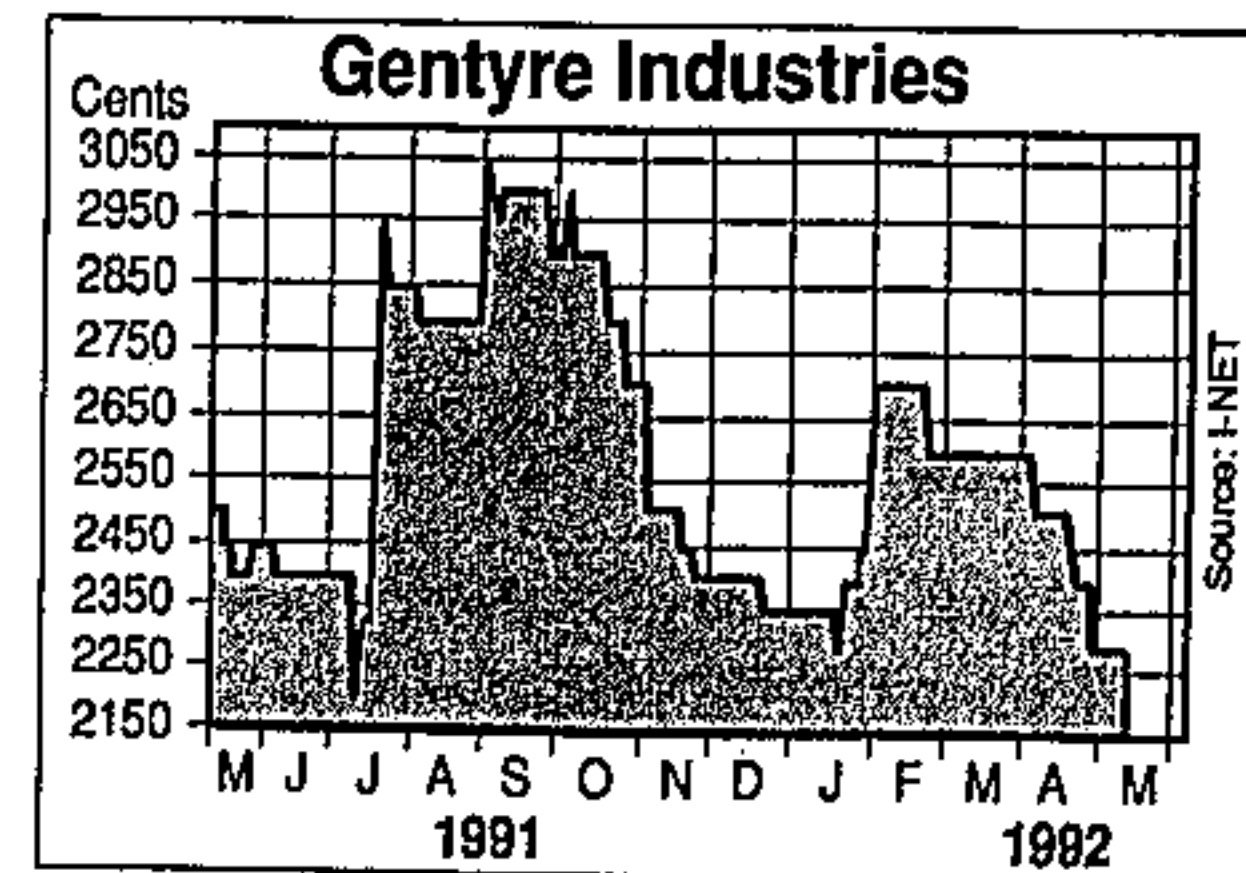
Compounding this was a five-week strike that coincided with motor industry-wide industrial action. Rolfe tells the *FM* that the strike took management by surprise.

“We had good reason to believe that we had established excellent and open relations with the union, its shop stewards and our work force on the floor.” In a rare flash of public anger, Rolfe says flatly that: “The political empowerment of the unions to achieve political and social change ... set industry competitiveness back a decade.”

Gentyre is cash-rich. The year-end cash pile was R57,9m, against 1990's R36,7m — up 57%. This is accounted for partly by



Gentyre's Rolfe ... well placed to meet changing demands



swings in debtors and creditors, indicative of intelligent management footwork, but more significantly by sound tax management.

A 1990 charge of only R203 000 was converted into a R684 000 credit. Tax in 1993 should be no more than 25%, says the report.

How does Gentyre intend to apply its cash mountain? Rolfe says there are a number of exciting possibilities, but he will not tell whether the company is contemplating new ventures or acquisitions.

Rolfe is emphatic that import protection remains vital for the industry. Partial lifting of protection last year led to a rash of imports, much of it at the lower end and of poor quality, but enough to create instability. He cannot see why, in the motor industry, tyres should be singled out for this treatment.

Hedging their bets somewhat, the directors say that “given stable operating conditions,” EPS should recover this year. Investors will certainly expect this, but Rolfe warns that earnings won't match inflation.

Industry volumes in 1991 fell by about 10%; so Gentyre did comparatively well by hanging on to market share. Lying ahead are the prospects of new developments. Given Rolfe's undeniable enthusiasm, they could be exciting and profitable. However, the stock has under-performed the industrial sector over the past year. It is now on a p:e of 5,35 against the sector's average of 7,2.

This might be a good time for an investment but the market will want to see a solid performance before rerating the share.

David Gleason

GENTYRE

FM 22/5/92

Need for reflation

196

This company needs to be — dare we say it? — reflat. The report contains information which the market had partly anticipated. EPS fell 11% to 392c and maintained dividends of 112c cut cover to 3,5 times from the previous four.

One consequence was that the share hit a new low last week of R21.

In a poor year for the economy, turnover fell for the first time in six years, by 7%. Chairman Terry Rolfe says forlornly: “A pick-up in economic and mining activity would improve the unsatisfactory returns.” At least he's in good company with that plea.

The business is concentrated significantly in tyre manufacturing, which generates fully

# Lower margins, higher tax a blow to Sondor

CAPE TOWN — Rubber and plastics converter Sondor Industries generated a 29% rise in turnover in the year to end-March. *Monday 29/5/92*

However, lower margins and interest received plus a higher tax rate affected bottom-line performance.

Earnings slid 17% to 10,69c (12,86c).

A final debenture distribution of 15c a debenture or 3c a share brought total distribution to 30c a debenture or 6c a share.

Turnover increased to R24,6m (R19m) but margins slipped to 19,3%

196

LINDA ENSOR

(24,3%) as the recession took its toll on Sondor's main markets — the building, construction, automotive and original equipment sectors. Pre-tax operating profit was marginally higher at R4,7m (R4,66m) while after-tax income suffered from a rise in the tax rate to 48% (40%).

Sondor chairman Sonny Goldman said the slight decline in pre-tax income could be attributed largely to the high cost of bedding down the

newly acquired Fife Tape Converters, to be renamed Sondor Tape Converters. However, this division should show a profit turnaround this year.

Sondor was budgeting for a modest improvement in earnings this year.

“The company holds a major share of its targeted domestic markets and it has made progress in installing in-house manufacturing capability” to reduce its dependence on certain imported raw materials. It was strategically placed to take advantage of any upturn, Goldman said.

# Union breakthrough on job security

IN A breakthrough for job security, the tyre and rubber industry has agreed to extend its moratorium on retrenchments for another year.

But Numsa still plans to ballot its tyre and rubber members on strike action — together with auto, motor and metal and engineering workers.

In response to Numsa's demands for a job moratorium, employers in both the auto and metal sectors have made offers to create funds to retrain retrenched workers.

Seifsa said it was prepared to establish a jointly funded trust, increase severance payments to retrenched workers and amend security of employment provisions

(196) DIRK HARTFORD

to avoid or limit retrenchments.

The parties in all sectors remain far apart in wage negotiations, while Numsa's demand for guaranteed job security is still on the table in the auto, motor and metal and engineering sectors. A Seifsa spokesman said the chances of a settlement before the end of June were remote.

□ The NUM has handed a profit-sharing proposal to the Chamber of Mines, which said it would respond this week. The chamber has increased its offer for gold mines from 4% to 5%. The offer for coal mines ranges from 7% to 12%.

Monday 22/6/92



## Mixed success for Darmag

812<sup>am</sup>  
26/7/92 KARIN FRANKEN ~~18~~ 196

RUBBER and plastics producer Darmag announced a final dividend of 2,25c a share for the year to end-March 1992. Dividends will be paid on August 7.

And in its annual review it forecast a slight earnings improvement in the year to March 1993 with a marginal increase in lead acid battery casing volumes and new plastic product lines, chairman Donald Buchanan said.

The discontinuation of the group's tyre division would relieve the group of an burden, he said.

New product lines such as plastic crates would allow Darmag to continue growing in spite of a weak economy.

A large proportion of the R2,5m capital expenditure programme was invested in a specialised injection moulder which made industrial battery cases. This plant had provided an additional manufacturing facility.

Darmag's results reflected mixed success due to recessionary markets, Buchanan said. Turnover dropped 5,8% to R24,7m (R26,2m) while earnings a share climbed by 17% to 10,3c from 8,8c.

# Union now confident in BTR case

BY FERRAL HAFFAJEE

THE long march of almost 1 000 British Tyre and Rubber (BTR)-Sarmcol workers, dismissed from the British multinational in 1985, is not over. But it may now be a lot easier.

The Appellate Division last week ruled that the case should be retried in the industrial court. This week, the company reacted angrily, accusing the court of not "ruling on the merits of the case". *W/News*

But lawyers and the National Union of Metalworkers of South Africa (Numsa) — whose members were dismissed — welcomed the decision.

The political climate and more enlightened labour law made them confident of a decision in favour of reinstatement. *S/10-11/6/92.*

"I would rather be fighting the case in 1992 than in 1985," John Brand, the attorney for the dismissed workers, said this week.

He said the workers now had a right of appeal in the Labour Appeal Court, legal precedent gave them a greater chance of reinstatement and current labour law provided better protection for strikers.

In 1989 the supreme court ruled that the behaviour of one of the pre-



**Long battle ... The 1985 BTR-Sarmcol strike was one of the most acrimonious ever in South Africa**

siding officers of the industrial court could have been construed as showing bias. The officer in question — also the deputy president of the industrial court at the time — attended a seminar hosted by Andrew Levy and Associates, industrial consultants to BTR-Sarmcol.

Delivering the appeal decision this week, Judge Hoexter said: "In our law, the existence of a reasonable suspicion of bias satisfies the test."

He added: "If a judicial officer has

any interest in the matter before him, he is disqualified, no matter how small the interest may be."

The company this week issued a veiled threat, saying that the judgment had serious consequences for judicial officers "attending organised seminars such as the one arranged by the Centre for Socio-Legal Studies which

two appeal court and other industrial court judges attended".

The company also questioned whether approval was necessary

every time a judge wanted to attend a seminar.

BTR-Sarmcol this week stuck by its guns, saying it "is confident of the merits of the case" and that it "did not commit any unfair labour practice".

Numsa representative Gavin Hartford this week welcomed the decision. "It vindicates Numsa's position," he said, adding that the union believed it "had a strong case and were a lot more hopeful for the new trial".

# South Africa to check mercury risks at Thor

By David Beresford  
in Johannesburg 1992

THE uglier face of British capitalism is about to be exposed in South Africa once again.

Government officials have confirmed that a public inquiry will be held in Natal at the end of this month which could result in prosecutions against Thor Chemicals — a subsidiary of Kent-based Thor Holdings — over mercury poisoning suffered by its black staff.

Thor reclaims mercury from toxic waste brought in from the northern hemisphere. South Africa is not a signatory to international treaties banning trade in toxic waste. The company has

Guaranteed for us in 1992 routinely denied dumping toxic waste.

Simultaneously, South Africa's longest industrial dispute involving BTR (British Tyre and Rubber), the South African subsidiary of BTR plc, is set to enter yet another bitter round, after a court victory for the union involved.

Dunlop is meanwhile lobbying the European Commission to scrap the EC code of conduct governing European companies in South Africa. The public inquiry into Thor Chemicals is being set up by occupational safety officials following the poisoning by mercury of at least

12/16 - 18/16/92 three employees, who are lying semi-comatose in hospital with little hope of recovery.

The Umgeni River near the Thor plant at Cato Ridge — used for drinking water and bathing by local people — is alleged to be dangerously polluted with mercury.

The mercury reclamation plant at Thor — reputed to be the biggest such plant in the world — has been shut down by the government pending investigations. A recent report by an expert on occupational health, Professor Tony Davies, found that levels of

mercury in the air were consistently above the maximum allowed; there was evidence "that skin contamination, including burns, are frequent and that contamination of work clothes is frequent"; casual workers were given hazardous jobs without proper training and respiratory equipment had had to be dumped after being found to be inadequate.

Thor has issued assurances that it will "immediately" implement the recommendations made by Prof Davies. Meanwhile the seven-year dispute at BTR, which began when 1,000

workers were sacked at a rubber plant in Howick, also in Natal, has entered a new phase with an Appeal Court decision in favour of the Metal and Allied Workers Union (Mawu).

A full bench of five judges confirmed an earlier judgment quashing an industrial court ruling in favour of BTR — which started the legal process — on the grounds that the court's deputy president had opened himself to charges of bias.

The dispute has had substantial and bloody repercussions over the years.



# Firestone appoints a new managing director

By Stephen Cranston

Gavin Hardy has been appointed MD of Firestone South Africa from July 1.

He replaces Bill Taylor, who becomes deputy chairman until his retirement in March next year.

Mr Taylor will help Mr Hardy in planning long-term strategy for the company.

Mr Hardy is chairman of Firestone and an executive director of Murray & Roberts Engineering.

Mr Taylor says that Firestone is spending R120 million upgrading its existing plants, of

which R90 million will be spent on the Brits factory.

Mr Taylor is confident that Firestone will be able to gear up for the export market.

Firestone SA has been locally owned since 1981 when Federale Volksbeleggings bought control from Firestone's American parent. Federale sold it on to Murray & Roberts about three months ago.

Firestone is one of the three biggest brand names in tyres internationally.

Its main international rivals are Goodyear and Michelin.



STA 117192  
196

# 73 years of settings trends in the industry

BTR Sarmcol is a dynamic, innovative company and the market leader in the general rubber goods industry. Company policy has always been to invest selectively in the finest and latest technology for their factory in Howick, Natal.

Add to this Sarmcol's reputation for producing quality products and backing them up with excellent service, employee training, safety programmes and a go-ahead management team, and it becomes obvious the company has a lot to be proud of in its 73rd year of production.

BTR Sarmcol is part of the international rubber giant, BTR (plc), based in Britain.

As such, Sarmcol enjoys access to the latest international technology and product development, via an information exchange agreement.

This link-up has enormous benefits to customers. Using overseas research as a base, Sarmcol can often get a product into the local market quickly, and if the basic development has been done, the customer's cost is reduced.

Take the company's continuous manufacturing hose machine as an example.

After long and careful study, BTR in England developed a practical, efficient and economical way of making small-bore hose in long lengths, with low capital outlay.

Sarmcol obtained the technology through the agreement with BTR and installed the plant.

Similarly, Sarmcol can and have sold their development technology. The company recently licensed an Australian company to manufacture special hose bends, which Sarmcol had painstakingly developed under stringent operating conditions.

Development has always been one of Sarmcol's key strengths, and import substitution a main strategy. Until the early '50s, conveyor belts were generally made of cotton. Sarmcol produced the first polyester belt in South Africa, known as terylene belting, using fabric woven from ICI Terylene polyester fibre.

This belting could carry heavier loads with fewer plies than the old cotton reinforced belting.

As the demand for fire resistant belting for the coal mines increased for safety reasons, it was Sarmcol who in 1976 set up the first local plant to manufacture solid woven PVC belting from the basic yarns and PVC components.

Another coup for Sarmcol was the development of a highly specialised hose for diamond dredging off the Namibian coast.

This hose had to be able to withstand both suction and pressure and had to be able work at up to 30 m underwater, siphoning the particularly abrasive sea sands. BTR has always been a leader in promoting the use of rubber in transport. Among the more recent applications, which have been successfully developed by users, is bulk transportation of liquids in flexible containers.

The Flexitank system, developed by BTR Sarmcol, is an advanced and revolutionary method of storing and transporting a wide range of liquids. The system, evolved over a number of years, is based on the use of specially developed flexible rubber tanks of various capacities and applications.

BTR produces the following types of flexible tanks:

- Static tanks — designed for the temporary storage of liquids. Once the tanks have been unrolled on the ground they are immediately ready for filling and storage purposes. After the liquid has been drained it is easy to roll the tank up for usage at another site. The tanks vary in size, with capacities from 1 000 to 10 000 litres.
- ISO container tanks — have a high degree of resistance to absorb surge forces in the horizontal plane, in conjunction with harnesses. They are designed for use with a wide variety of liquids including fuel, edible oils, fruit juices, light mineral oils and water.

These single-ply tanks have a variable capacity dependant upon axle loads and specific gravity. They are used in conjunction with ISO containers.

- Mobile tanks — designed for the transportation of liquids on flatbed trucks, rolling stock and on the decks of cargo ships. Ranging in capacity from 4 000 to 12 500 litres they offer the advantage of versatility. A truck can be used for transporting liquid in one direction, after which the tank is emptied and rolled up for the return trip.
- Bakkie and trailer tanks — designed for the transport of a wide variety of commodities including water and other liquids, ideal for farmers, foresters, smallholders and rural communities. They are available as a 400-litre bakkie tank or a 1 000 to 3 000-litre trailer tank, and can be rolled up for storage when not in use.

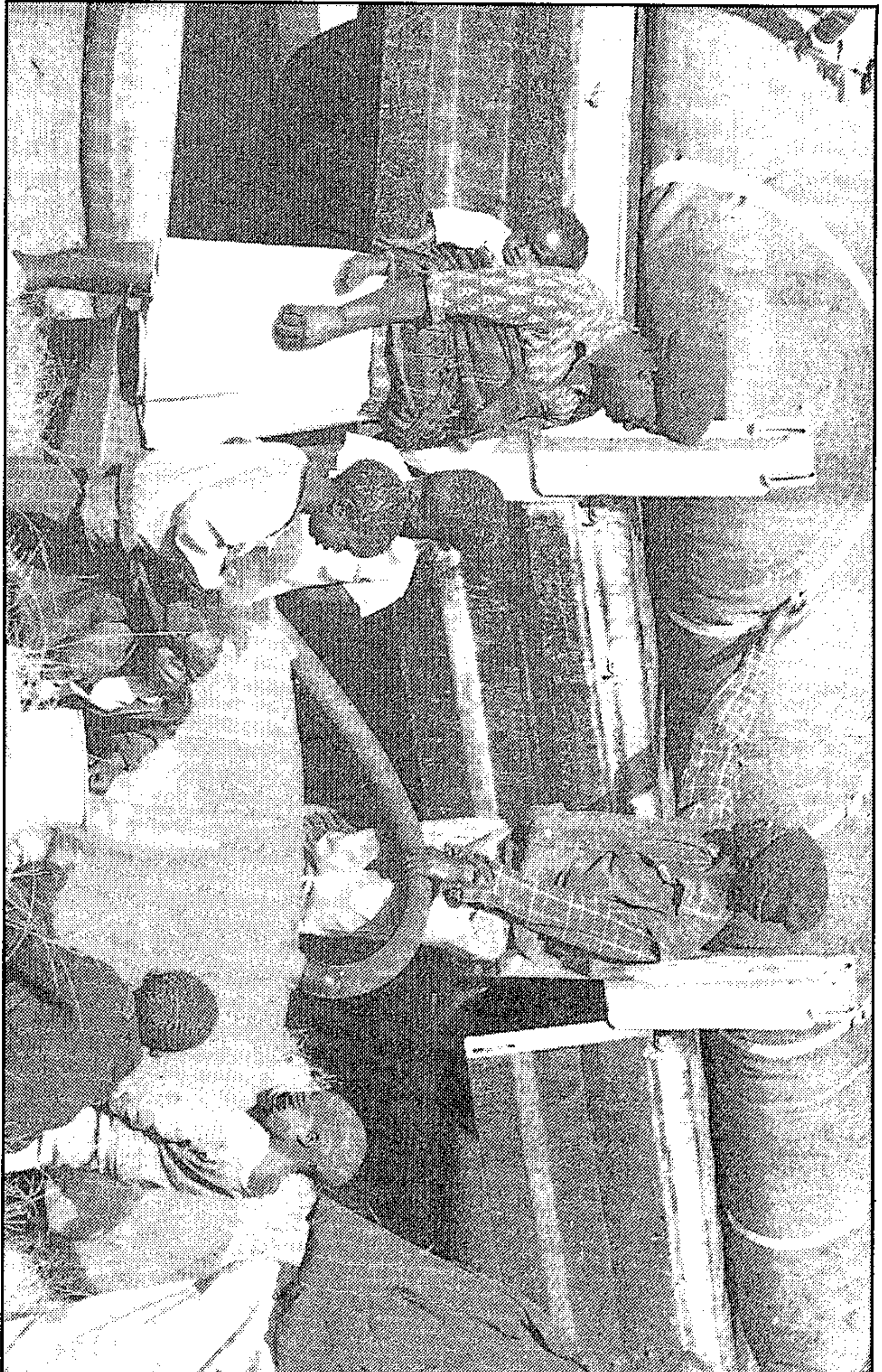
Although the drought has had a negative effect on the rubber industry it has also opened up market opportunities for Sarmcol — the storage and transport of bulk liquids/water with flexible tanks.

These tanks are proving invaluable for the distribution of water to rural areas where borehole or natural springs have dried up.

Sarmcol is supplying these tanks to Kangwane for use in drought relief operations.

Allan Booyesen, regional sales manager, said there was a big growth area with international markets opening up, especially in Africa.

"The revival of the copper industry in Zambia, for example, opens up a potential market."



Drought relief . . . BTR Sarmcol's Flexitanks are proving invaluable for the distribution of water to rural areas, where borehole or natural springs have dried up.



# The tree that feeds various industries

STAR 7/7/92

196

Natural rubber latex is obtained from a tropical tree, which is grown in plantations mostly in the Far East.

Originally it came from Brazil, but as the trees grew in jungles, no substantial plantation rubber industry was developed in that part of the world.

The rubber tree grows under tropical conditions at a temperature of about 32 deg C and a relative humidity of more than 90 percent.

Rubber latex in liquid form is obtained from the tree by tapping. In other words, the bark is carefully cut with a specially designed tool, in the process of which rubber-bearing vessels are also cut, resulting in the flow of a milky liquid from the tree. This milky liquid is latex.

In order to prevent latex solidifying, it has to be preserved with anti-bacterial agents, of which not more than 0,8 percent is present in the material.

Rubber as it comes from the tree varies in

concentration, but is usually between 30 and 36 percent suspended in the water serum, which comes from the tree.

Because it would be wasteful to ship such large quantities of water to the user countries, latex is centrifuged, whereby its rubber content increases to about 60 percent.

This type of material is then used by various industries.

Despite a wide range of applications, latex accounts for only 15 percent of total natural rubber used.

The most advanced manufacturer country, whose manufacturing processes are backed up by intensive research and technological development, is Malaysia.

The advances in the botanical field have been fantastic. For example, 30 to 40 years ago the yield from an acre of plantation a year in solid rubber was approximately 180 kg, whereas today it is approximately 1 500 kg.



# SA firm is Africa's sole producer of synthetic rubber

SA synthetic rubber producer Karbochem is the sole producer of synthetic rubber in Africa.

The company can trace its origins to a report by a commission chaired by Dr F de Villiers who, in the early fifties, identified oil and rubber as commodities of extremely high strategic importance to the country.

With the Industrial Development Corporation (IDC) as the driving force, a series of events took place in the late '50s, which eventually led to the first production of emulsion SBR at Sasolburg by the Synthetic Rubber Company (SRC) in 1964. The SRC was a company with shareholding by the IDC, Federale Volksbeleggings (FVB), the four local tyre companies and the licensing company, Polysar of Canada. This situation prevailed until 1967, when the Synthetic Rub-

ber Company became a subsidiary of Sentrachem and soon thereafter changed its name to Karbochem.

Through innovation and acquisition of new technologies, the product range from Sasolburg was continuously expanded and today encompasses a diverse range of products.

Even though Karbochem broadened its base through diversification, it remained essentially a rubber-producing company.

The company's two operating divisions are situated in Newcastle and Sasolburg. The marketing and research and development activities are functioning as two separate entities, situated in Sandton and Sasolburg respectively.

The combined synthetic rubber capacity of Karbochem's Newcastle and Sasolburg operations has established the firm

as one of the world's major synthetic elastomer producers.

The various types of emulsion styrene butadiene rubber (E-SBR) produced at Sasolburg encompass all the major "cold" types and some "hot" types required by the market.

The initial nominal installed capacity of the plant was 27 000 tons a year, covering four products, but this capacity has been increased by means of a number of innovative modifications to the present 40 000 tons a year, covering a range of 12 products.

These products are used mainly in the production of tyres, but also find application in a host of other industrial products.

The various types of solution polymerised styrene butadiene rubber (S-SBR) manufactured at Newcastle basically serve to complement the E-SBR from

Sasolburg and to supplement the capacity of the Sasolburg plant.

In certain applications, customers have expressed a definite preference for S-SBR over E-SBR and Karbochem is in the fortunate position of being able to offer both types of SBR.

The polybutadiene rubbers (BR) are manufactured at the Newcastle site in the same plant as S-SBR, using Firestone technology.

This plant has a total capacity (SBR plus BR) of 36 000 tons a year. The products produced in this plant have been tested in overseas laboratories and found to be of exceedingly high quality.

These products find their main applications in tyre manufacture, but are also used in the footwear industry and in the production of high-impact polystyrene.

The rubber industry in South Africa is in a depressed state at the moment. This can be attributed to the low levels of activity in the motor, mining and industrial sectors of the economy, and is compounded by the drought conditions in the country at the moment.

John Lithgow, projects manager at Karbochem, said that as much as 70 percent of the rubber industry's products go into the motor industry, with most of the balance going into mining and retreading.

Mr Lithgow said that as a result of recessionary conditions in the economy generally, Karbochem has been restructuring, "in an effort to make the company more efficient, and we have closed down an unprofitable product line in an effort to maintain market position".

Mr Lithgow believes a possible growth area for rubber pro-

ducts is within the mining industry, because of the unique high abrasion resistance properties of the product.

"Synthetic rubber can reduce costs incurred by mines in repairing and replacing parts that have been worn and damaged by dry and wet abrasion.

"Reduction due to synthetic rubber is suitable as a long-lasting lining material in various mining applications."

"Apart from saving on repairs and replacement costs, mines can also save on downtime by using synthetic rubber in high abrasive areas," added Mr Lithgow.

The beauty of synthetic rubber is that it is possible to emphasise a specific property of the rubber for a specific purpose or use.

## Firestone restructures

<sup>5/10/92</sup>  
FIRESTONE'S recent move from the Federale Volksbeleggings fold to Murray & Roberts Engineering has brought on restructuring at the tyre manufacturer. (196)

Firestone chairman and MD Gavin Hardy said the company had been restruct-

<sup>9/17/92</sup>  
EDWARD WEST

ured into three new corporate businesses, Brits Manufacturing, Port Elizabeth Manufacturing and Sales and Distribution. Each unit would be operated by a general manager.

Hardy was appointed following the restructuring. The company also planned to relocate certain marketing and administrative functions from Port Elizabeth to the Reef next year, Hardy said. 9/17/92

At the end of this month Firestone would complete a R36m upgrading programme at its Port Elizabeth plant. By the end of February 1993 the company would also have invested R90m in new machinery and increased production capacity at its Brits plant.



# The RUBBER INDUSTRY

A Star advertising supplement

Material supplied by advertisers.  
Compiled by Alf James

## Stepping out of the footwear industry

STAR 7/17/92

Wayne Manufacturing is a leading specialist manufacturer of rubber and PVC moulded and extruded products for the agricultural, automotive, construction, footwear and mining sectors.

As such it represents an important vehicle for Conshu's future diversification and growth outside the footwear industry. The company is a listed subsidiary of Conshu with origins dating back to the mid-1920s in Durban, when founding partners Jack Hollis and Allan Wayne established a business that was to become an impor-

tant supplier of rubberised products to Natal's burgeoning sugar industry.

Rubber Division  
Wayne Rubber uses state-of-the-art machinery at its Durban factory to produce a vast range of customised compression and injection moulded products for a variety of industries.

The division operates with the SABS prestigious 0157 award for quality assurance, in recognition of its quest for product excellence. It is already a recipient of NOSA's four star safety rating and the NPI's

## Longer-lasting tyres on the cards in South Africa

STAR 7/17/92

South Africa's motor vehicle owners can look forward to longer-lasting tyres.

A state-of-the-art mixer, which is a big step forward in the technology for extending the life of tyres has gone into operation at Firestone SA's Brits plant.

The Farrel F370 Banbury internal mixer is the largest of its kind in South Africa and is the first in the country to incorporate four wing rotors.

"This is one of the latest developments in high efficiency mixing technology," says a Firestone spokesman.

## Longer-lasting tyres on the cards in South Africa

(196)

be strong and rigid.

This strength and rigidity obtained by reinforcing the tyre from which the rubber is manufactured with nylon, rayon, kevlar and steel.

The tyre is made number of basic components. These include the tread, the face, stabiliser plies, the tread and footprint firm as possible; banbury tube tyres; inner liner; most layer of a tubular abrasion strip, to provide bead area from damage.

# Youngs firm captures slice of market

STAR 7/17/92

When chief executive Andrew Mursalo joined Latex Surgical Products (Pty) Ltd in October 1989 their factory in Springfield, Johannesburg was only an idea. The ground the company now occupies was bare and empty, but for a few blue-gum trees.

Eleven short months later the factory was up and running. Less than two years on, the company occupies a strong place in the market with their factory capable of producing 16 million pairs of theatre surgical rubber gloves and 30 million condoms a year.

Mr Mursalo is a rubber chemist by profession and originally hails from Croatia where he also ran a manufacturing rubber company.

### Specialised

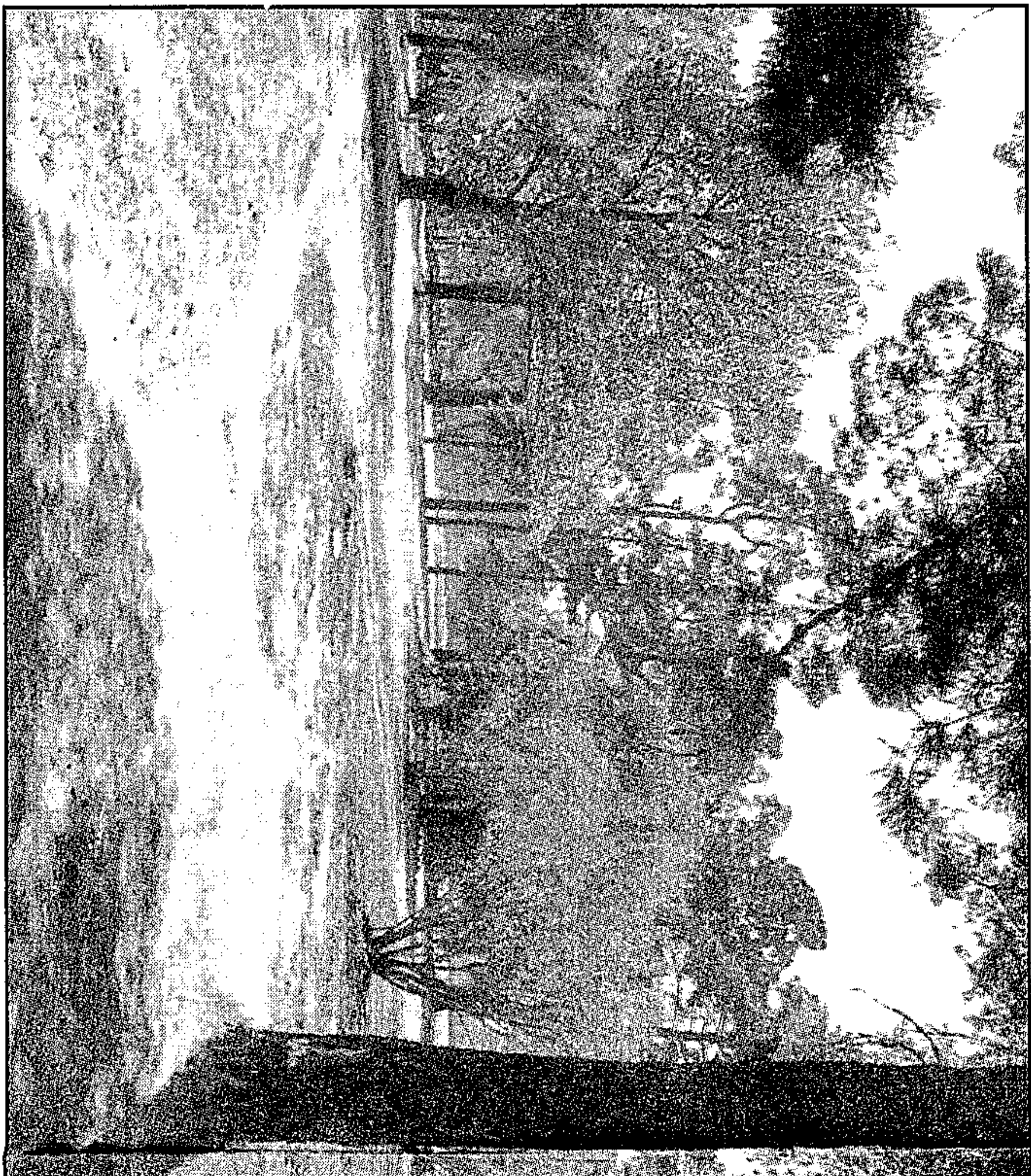
He left what was then Yugoslavia in 1959 to further his studies in rubber sciences in Britain.

During post graduate studies he specialised in rubber latex. Before coming to South Africa in 1971 Mr Mursalo worked for the Malaysian Rubber Foundation Board.

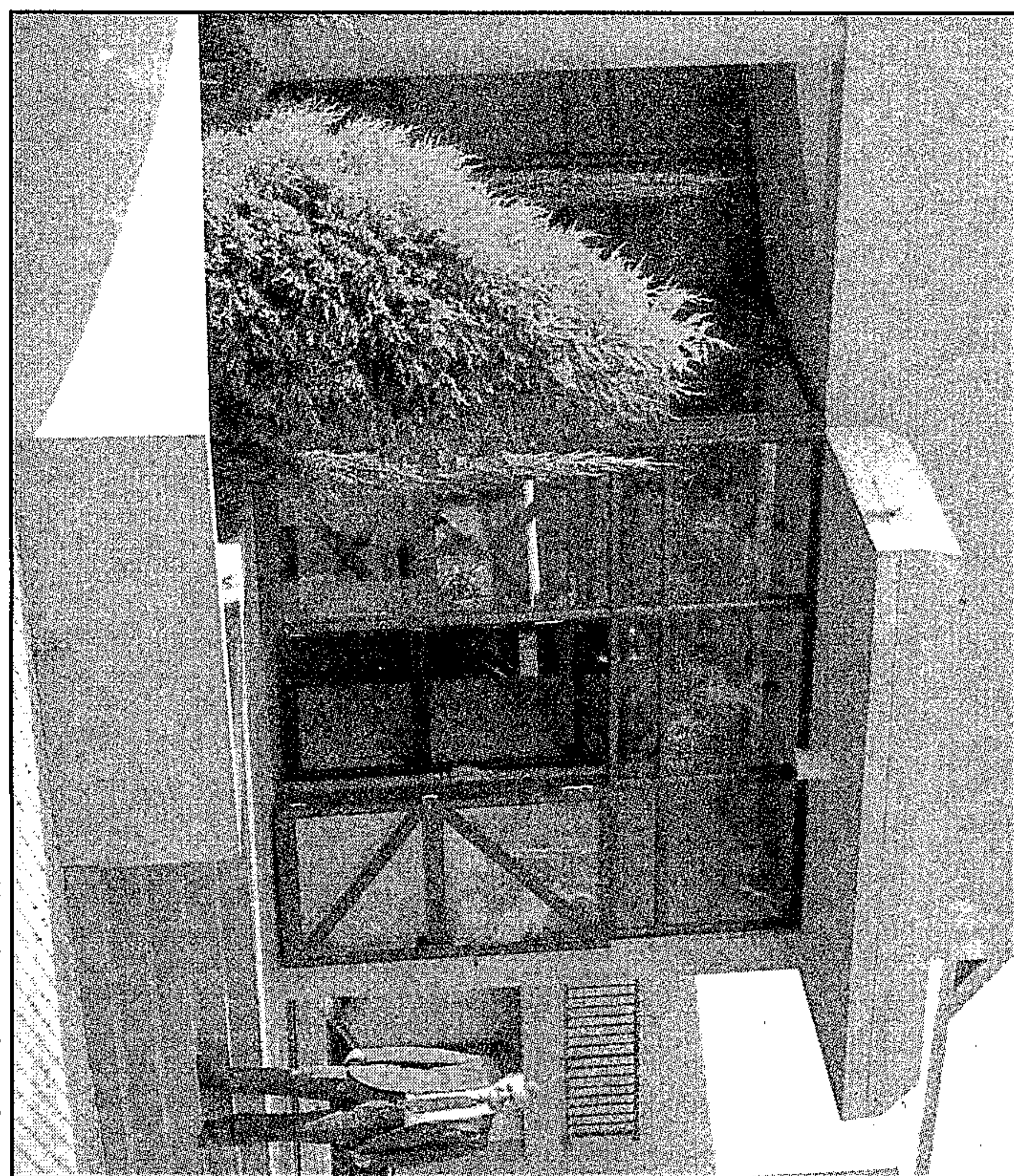
He was first employed as a technologist and then as principal scientist and head of department.

Mr Mursalo explains that there are some advantages in having to build a factory from scratch.

"The factory has been built to conform with modern standards and specifications, with modern laboratories and up-to-date equipment."



Impossible dream . . . Three years ago Latex Surgical Products was just an idea — and this bare property in Springfield was the site that was chosen to house the company.



Dream come true . . . Latex Surgical Products's chief executive Andrew Mursalo stands at the entrance to his company, which after almost three years occupies a firm place in the market.

"The factory was also designed with efficiency in mind," he said.

Latex Surgical manufactures high-quality surgical gloves and condoms; they do not manufacture examination gloves,

which are less technically demanding on the production process and not as sophisticated as surgical gloves.

"We wanted to utilise our extensive know-how to produce high-quality gloves with special features for protection against Aids.

"One of those features is a longer cuff, which offers more protection.

"The glove is 345 mm long, the longest manufactured in the country," said Mr Mursalo.

The company's first precaution was to get the production process to conform to appropriate standards.

Surgical Latex's gloves carry the SABS mark and the company is in the process of standardising the entire factory to SABS specifications.

This will mean that anything produced by the factory will automatically conform to SABS standards.

"You need human judgment for the final testing and control; safety is the word," said Mr Mursalo.

The packing and check takes place in an air conditioned, sterile room. There is a positive pressure to ensure the absence of foreign particles.

The walls are rubber and the workers wear protective clothing.

After the products have packed they are rechecked that if there is a problem possible to trace right the rubber compound date of production and shift.

Once records have made the gloves or condoms are sterilised with an oxygen process and cleaned for seven to eight hours.

Mr Mursalo explained the United States in 1971 was an explosion in the rubber gloves, in part and condoms, because of HIV virus.

US consumption of examination gloves increase about 2,5-billion to 11-billion in 1988.

However, the situation US has not reproduced South Africa.

"While there has been growth in South Africa, it has been proportional to the number of hospital beds," said Mr Mursalo.

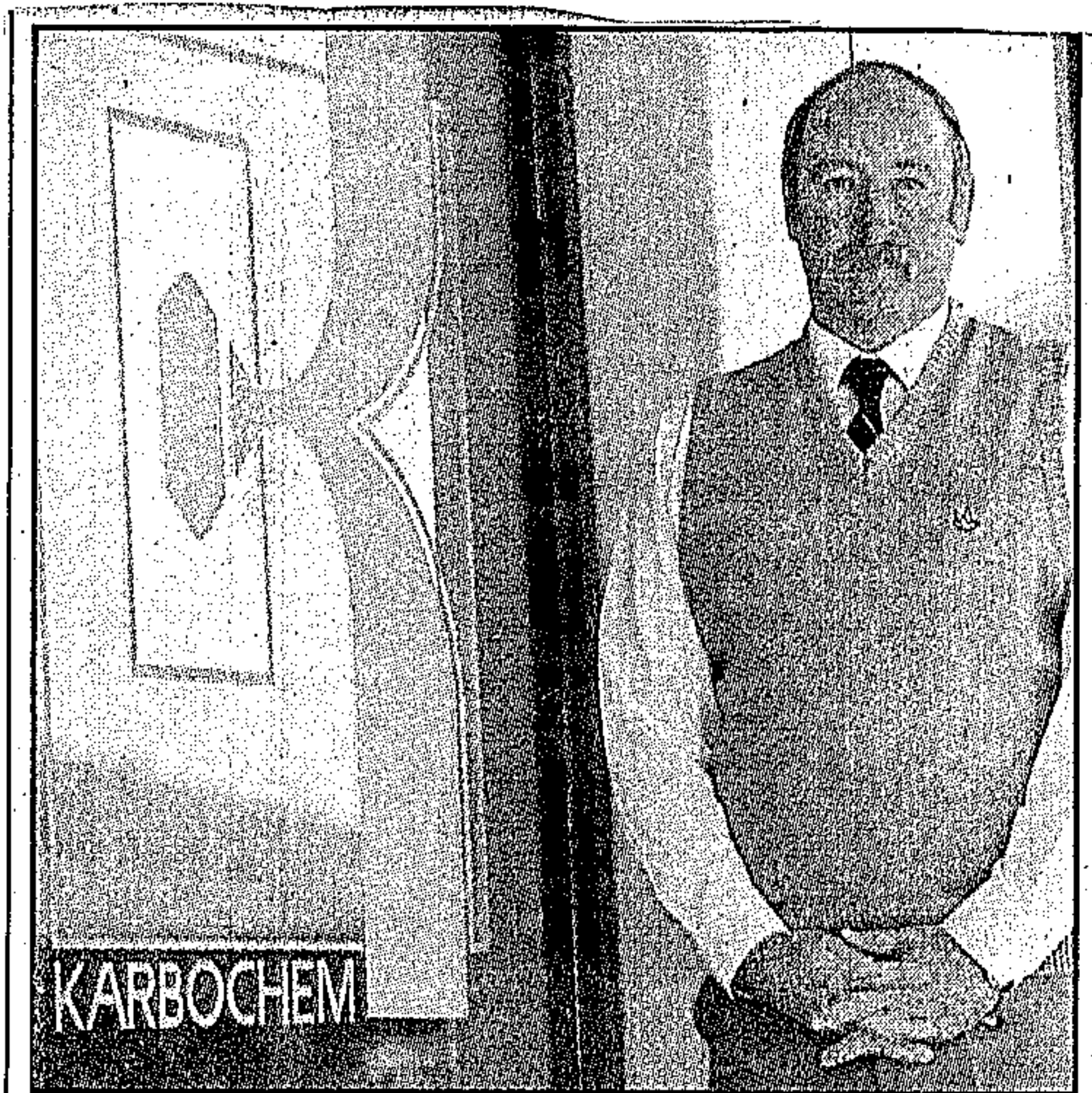
Because of the sophistication of Latex Surgical's products Europe's health services are seen as a growth area for the company's products.



196

Star

1/7/1992



Rubber man . . . John Lithgow, projects manager at Karbochem, said that as much as 70 percent of the rubber industry's products go into the motor industry.

# Haggie to set up R96m tyre cord factory

<sup>B/DAY</sup>  
<sup>10/7/92</sup>  
<sup>196</sup>  
HAGGIE is to set up a R96m tyre cord factory in Boksburg following a technology transfer agreement with the Belgian firm NG Bekaert.

Bekaert is a leading manufacturer and supplier of tyre cord, the fine steel wire strand used as reinforcement for steel radials.

Haggie spokesman Colin Horner says Bekaert's side of the deal involves the R50m supply of necessary specialised manufacturing equipment and product and process technology.

The plant, scheduled for gradual commissioning next year, will generate about 200 jobs and should save

EDWARD WEST

R60m a year in foreign exchange.

All of the estimated 6 000 tons of tyre cord used locally every year is imported.

The venture will combine Haggie's high-tensile steel wire technology with that of Bekaert in the tyre cord technology field.

Haggie MD Chris Murray says local production will simplify supply logistics for local tyre manufacturers.

It will also increase the export potential of locally manufactured steel radial tyres.

He forecasts that the local tyre cord market will grow with the economy and with an increasing move away from traditional textile-reinforced tyres to steel radials.

The project continues Haggie's diversification into a broader area of wire products, copper-base products and engineering consumables.

Its foreign markets include North America, Europe, Australia and the Far East.

Last year, almost 20% of its R1,2bn turnover was exported to more than 60 countries.

Haggie also has manufacturing operations in England, Zimbabwe and Zambia.



# Strike wave set to engulf SA

W/Max 10/7-16/7/92

196

*Tension between employers and workers in the giant metal, auto and tyre industries could spill over into strikes over pay and retrenchments. By Weekly Mail Reporters.*

**M**ORE than 400 000 workers in three industries organised by the National Union of Metalworkers (Numsa) are teetering on the edge of strike action over wages and job security.

Numsa strike ballots are currently being conducted in the giant metal and engineering industries, and are due to be finalised by next Thursday. At the same time, the metal employer body, the Steel and Engineering Industries Federation (Seifsa), is conducting a lockout ballot.

Balloting is also in progress in the tyre industry, while in the auto assembly sector, a conciliation board is due to sit next week. If this fails to settle the dispute — and Numsa's Les Kettleidas said the two sides were so widely separated settlement was "highly unlikely" — a strike ballot will begin at once. In all three sectors, the disputes revolve around Numsa demands for a



**Getting restive ... Numsa workers may soon go on strike**

R1,50-an-hour or 20 percent increase, whichever is higher, and for a moratorium on retrenchments. The union's opening demand was for R2.

Nearest to accommodating the demand are tyre employers, who in their final offer in the industrial council offered 12 percent and the 12-month extension of the watershed retrenchments moratorium agreed last year — but with conditions the union rejects. These include employers' right to rescind the retrenchments agreement if

unprocedural industrial action undermines productivity.

Seifsa has offered an eight percent rise and has told unions party to the metal industrial council that proposals for a retrenchments moratorium are impracticable.

Auto assembly employers are among the highest-paying in South African industry, but their tough stance in this year's talks — their final wage offer is 6,4 percent — bears out depressed conditions in the sector.

On retrenchments, the flashpoint is an employer proposal of voluntary retrenchment packages. Numsa argues that as employers will select suitable candidates for redundancy, it cannot be voluntary.

Also in dispute are union demands for worker rights such as immunity from dismissal during procedural strikes, picketing facilities and paid time-off for general meetings on company premises.

Auto employers have told Numsa that poor market conditions have forced them to revise projected vehicle sales this year from 220 000 to 190 000.

Denying that Numsa's demands were unrealistic in the light of the sector's current woes, Kettleidas said employers continued to "duck and dive" on union proposals, tabled last year, for industry restructuring to promote growth and create jobs.

"We understand that Naamsa (the Nation Association of Automobile Manufacturers) are unilaterally devising a strategy for the industry's future, and are to invite overseas experts. We are not involved," he said.

The union was also pressing for full disclosure of companies' financial positions had been provided.



~~198~~ (196)

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**Activities:** Makes rubber and plastic products for industrial applications.

**Control:** Zimco 51%; controlled by Anglo American Corp.

**Chairman:** D A Buchanan.

**Capital structure:** 22,2m ords. Market capitalisation: R6,6m.

**Share market:** Price: 30c. Yields: 6,7% on dividend; 34% on earnings; p:e ratio, 3,2; cover, 4,5. 12-month high, 35c; low, 30c.

Trading volume last quarter, 566 000 shares.

Year to Mar 31	'89	'90	'91	'92
ST debt (Rm) .....	0,6	3,8	1,2	—
LT debt (Rm) .....	2,3	2,7	1,7	1,1
Debt:equity ratio .....	0,33	0,69	0,26	—
Shareholders' interest	0,5	0,5	0,60	0,67
Int & leasing cover .	7,0	1,3	2,9	6,5
Return on cap (%) ..	21,8	7,5	0,17	0,15
Turnover (Rm) .....	23,8	26,4	26,2	24,7
Pre-int profit (Rm) ...	4,0	1,5	3,2	2,7
Pre-int margin (%) ..	16,8	5,6	0,12	0,11
Earnings (c) .....	11,1	3,0	8,8	10,2
Dividends (c) .....	5,3	—	2	2,25
Net worth (c) .....	39,1	42,4	49,3	55,1

says it is too early to predict its earnings contribution.

Batteries have a life of three to four years and must be replaced. This helps to buffer the industry against recessions.

Despite the strong balance sheet, dividend cover is a high 3,6 times — well above the stated cover policy of about two. Buchanan explains the company is holding back funds for an acquisition when an attractive opportunity is found. Though a lower cover might lead to a firmer share price, so would an astute acquisition.

William Gilfillan

The group margin narrowed slightly from 12% to 11%. Prices must have plunged as group turnover fell from R26,2m to R24,7m despite the higher volumes.

Chairman Donald "Buck" Buchanan, noting that activity in the first three months of this year did not meet expectations, says the prediction, in Darmag's annual report, of marginal earnings growth in 1993 is optimistic. He now expects earnings to be maintained.

On a brighter note, the balance sheet strengthened even though capital expenditure increased from R417 000 to R2,53m. This was due to tight working capital management, which saw the year-end figure reduced from R5,3m to R1,9m. Close attention to working capital must have been initiated early last year, given the sharp drop in interest charges from R980 000 to R290 000. EPS increased as a result.

The group has been looking for investment opportunities for some time (now, especially, to replace the tyre operations), but Buchanan says these are limited, as most opportunities have been exploited where there are low barriers to entry. He adds that there are opportunities in areas requiring large capex.

Much of last year's capex was invested in a specialised injection moulder, to replace an old machine used for making industrial battery cases. The consumer market here is larger than the industrial one. The new machine also makes other large plastic products so Darmag is set to supply the market with a new line of plastic crates this year. Buchanan

DARMAG

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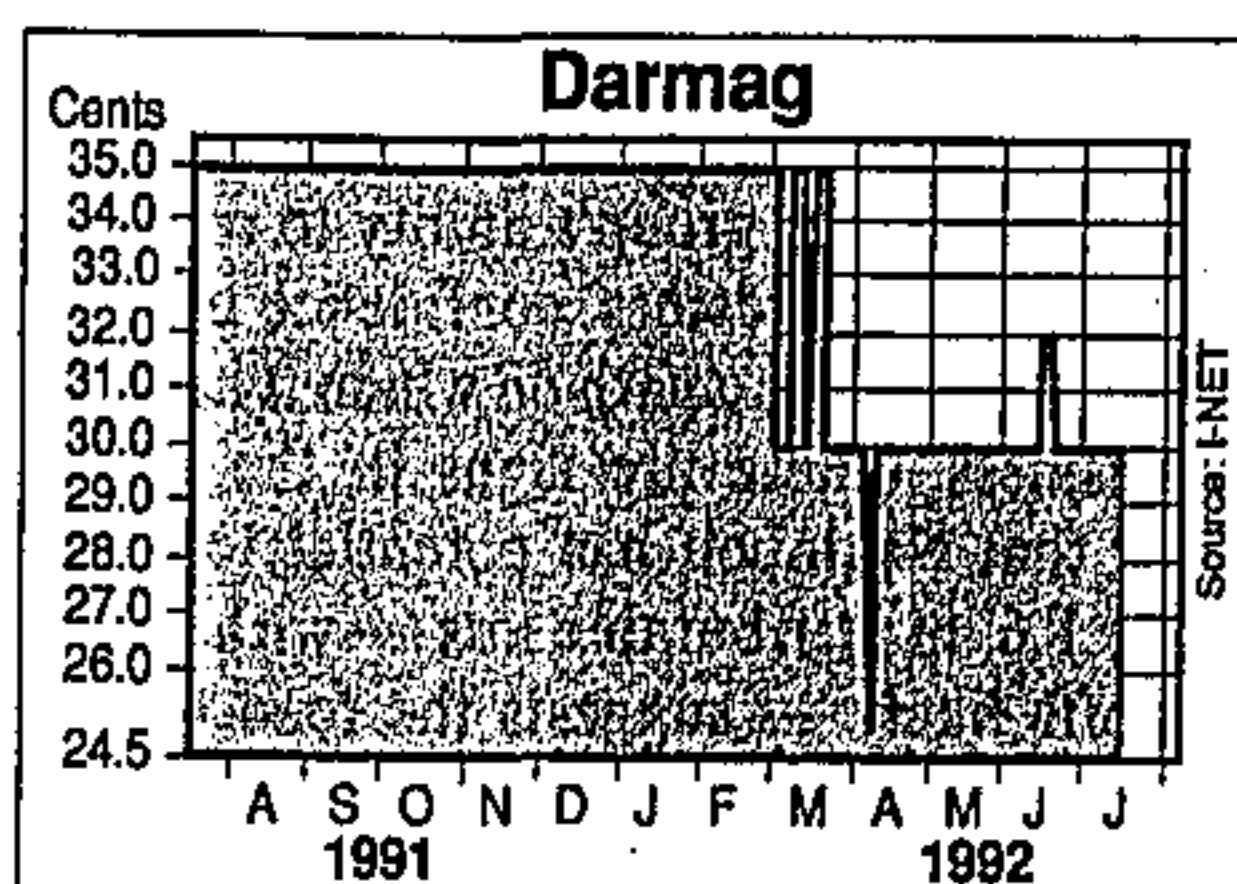
**Retreating from tyres**

FM 24/7/92

Plastic and rubber manufacturer Darmag, a company in the Anglo fold, closed its tyre business at the end of March in the face of a surge in imports after tariff protection was reduced.

The business, being sold piecemeal, is not expected to go for more than a modest price because the machinery is old. The division that made forklift and underground mining vehicle tyres reported a small trading loss last year. The core business, battery case manufacture, which accounts for 65%-75% of group trading profit, increased volumes but on narrower margins.

Despite being the largest battery case manufacturer in SA, holding roughly 55% of the market, tough trading conditions made it necessary to shave margins to retain market share. There are three other large players in this field.



# Numsa calls national strike

NUMSA will strike nationally in the metal, engineering, auto manufacturing, tyre and rubber industries on Monday in support of wage and job security demands. (196)

The 270 000-strong union expects the strike to be the biggest yet in SA if many non-members in the affected industries join the strike.

The strike is an industrial dispute, separate from and likely to continue after the planned general strike. BIDAY

Employer organisation Seifsa said it was seeking a court interdict to declare Numsa's ballot invalid. The application will be heard early next week — after the strike has already begun. 31/7/92

Seifsa said it had already lodged a complaint with the industrial registrar, asking for an inquiry into ballot irregularities.

DIRK HARTFORD

Seifsa claimed Numsa had not yet provided it with the outcome of the strike ballot in the metal and engineering industry, despite requests. It said 856 irregularities — including voting by non-members and unsealed ballot boxes — were reported by 272 of its member companies.

Numsa accused Seifsa of failing to provide it with the outcome of its lock-out ballot and said Seifsa had not responded its allegations of irregularities in that ballot.

The union yesterday said it suspected Seifsa had either "bugged or made use of other dishonest means" to obtain information from its strike committee meetings after Seifsa's announcement of Numsa's strike action before the union had done so.

## COMPANIES

### Disappointment at BTR Dunlop

BTR Dunlop's 2,6% increase in earnings was boosted by a lower interest bill and cost-cutting measures in the six months to end-June 1992, but results for the year as a whole are expected to show little improvement over last year.

Trading conditions had not improved as hoped for, and although sales increased 1% to R328,2m (1991 interim: R325,4m), they declined 9% on an inflation adjusted basis, the tyre and industrial products group said in a statement yesterday.

Difficult trading conditions also affected margins and operating profit was 13,1% lower at R47,1m (R54,2m). Borrowings

EDWARD WEST (196)

plummeted to R14,5m (R51,7m), and as a result finance costs fell to R2,8m (R5,4m).

Tax was lower at R16,1m (R21,3m) and attributable profit was 2,5% higher at R28,2m (R27,5m). Earnings, boosted by cost cutting measures, lower taxation and working capital levels, were 2,5% higher at 120c (117c) a share, MD Clive Hooper said.

Dividends were maintained at 60c a share. BTR Dunlop's dividend had not been cut for the past 20 years, a stockbroker's report on the group said.



## Dunlop earns

STAR  
more on 11/18/92

## lower sales

By Stephen Cranston (196)

Sales volumes from BTR Dunlop fell nine percent in the six months to June, compared with the first six months of 1991.

Nevertheless, earnings per share rose three percent to 120c, allowing the group to maintain the dividend at 60c.

MD Clive Hooper attributes the improvement to cost containment, a reduction in working capital resulting in lower finance charges, and reduced tax.

Turnover rose one percent to R328 million, but trading profit fell by 13,1 percent to R47,1 million.

Gearing is a low five percent, although this is set to increase with the group's capital expenditure programme.

It will spend R100 million over the next three years, mainly on upgrading plant.

Sales were lower to the mining industry and four divisions of the group supplying motor components to vehicle manufacturers were adversely affected by the 13 percent fall in vehicle sales.

# Numsa ends strike in tyre sector

MORE than 5 000 workers in the tyre and rubber industry returned to work yesterday following Numsa's acceptance of a 12% wage increase and improved benefits.

Major tyre companies, including Gen-tyre, Tycon and Firestone, had virtually ceased production since the Numsa strike began in tandem with the ANC-backed national stayaway on Monday last week. Numsa's original demand had been for a 25% increase. *610AM 11/8/92*

A meeting today between union negotiators and industry representatives will iron out the agreement's final clauses.

Settlement in the motor industry dispute was also likely today, Numsa spokesman Bernie Fanaroff said.

Last night employer and trade union officials were attempting to work out the package's outstanding issue of job security.

Employer spokesman Dave Kirby said motor manufacturing employers had

(196) ADRIAN HADLAND (192)

agreed to establish a fund, financed by employers and jointly administered by the union, to provide counselling, job evaluation and training to those made redundant.

Deadlock was still in evidence yesterday in negotiations between Numsa and employers from the engineering industry represented by Seifsa.

Seifsa director Brian Angus said Seifsa would appeal against Friday's Supreme Court ruling that Seifsa and its constituent associations had no legal standing to bring an interdict to stop the strike on behalf of individual employers.

An application by Anglo American subsidiary Steeledale Engineering for a Supreme Court interdict to declare the strike illegal was postponed yesterday until further notice.

# Sub-standard tyres being dumped, claims Tycon MD

STAR 18/8/92

By Stephen Cranston

South Africa is becoming a dumping ground for sub-standard tyres, says Tycon MD Rex Botha.

In many instances tyres that had been rejected by overseas manufacturers after failing their own quality examinations, were being exported to SA.

More than R172 million worth of tyres were imported in 1991, a R27 million increase on 1990.

"These tyres are only bargains until they go wrong," said Mr Botha. Local tyre manufacturers had now approached the Board of Tariff and

Trade seeking legislation that would ban the import of tyres which did not conform to quality or safety standards.

"We are looking at European standards as a barometer against which we can measure our own quality limits. Why reinvent the wheel when we can borrow benchmarks as set in the E-mark legislation adopted by the EC?"

He says another problem being encountered was the importing of second-hand tyres, ostensibly as casings for the retreading industry.

"We honestly believe that South African tyre manufacturers can gen-

erate sufficient casings to keep the retread industry operating.

"If the minimum tread depth legislation of 1mm of tread through the entire circumference of the tyre was properly enforced, there would be adequate usable casings to recycle as retreads."

Mr Botha says a tyre is the only used commodity which is imported into South Africa. He says 8 million kg of casings, valued at R18 million were imported in 1991.

Mr Botha argues that a used casing is an environmental problem, which is being addressed by tyre manufacturers.



# Overseas operations help Trecor defy recession

Finance Staff STAR 26/8/92

Trecor continued defying the recession in the year to the end of June — lifting earnings by 23 percent to R130 million or 905c a share.

Shareholders were rewarded with a 22 percent higher dividend a share of 195c.

Directors said yesterday the results were achieved in spite of recessionary conditions confronting Trecor's domestic operations, and a weakening in the container market.

"While the divisions in South Africa managed to hold performance at last year's levels,

overseas operations improved their contribution to earnings."

The impact of the weaker container market (the main thrust of Trecor's export activity) was felt mainly in the second half of the year.

"Pressure on margins increased in the wake of new manufacturing capacity and foreign competitors' ability to offer low prices and attractive credit terms."

Turnover increased by more than 20 percent to R997,7 million — owing mainly to the acquisition of Crosscape Express, Swift Engineering and Poole Industries.

They said that for most of the

year Trecor produced under favourable contracts, but warned that orders in the past six months were signed in a more competitive environment.

"In addition, the changing South African trade balance forced us to bear the costs of shipping containers to points of demand."

Directors pointed out that the impact of currency fluctuations on operations in the period under review was neutral as the strengthening of the rand against the US dollar was offset by weakness against other currencies.

Trecor was still exploring various opportunities to develop

current areas of business with the proceeds of its successful debenture issue.

Holding company Mobile also remained on the high road thanks to Trecor's strong performance.

Earnings were up significantly at R63 million or 221,1c a share for the period under review.

The dividend payout was also increased to 49,5c (previously 40,6c) a share.

Directors said satisfactory profits were achieved by Mobile Acceptances, the 74 percent held subsidiary engaged in finance and leasing activity.

# Foreign activity helps Trenchor <sup>196</sup>

LINDA ENSOR

CAPE TOWN — Transport and manufacturing group Trenchor offset stagnation in domestic operations with its overseas operations, exports and interest income to report a 23% increase in net earnings in the year to the end of June.

Earnings rose 23% to 905c a share from 734,8c from which total dividends of 195c will be paid compared with last year's 160c.

Executive chairman Neil Jowell said the disparity between interim and final dividends was currently under review.

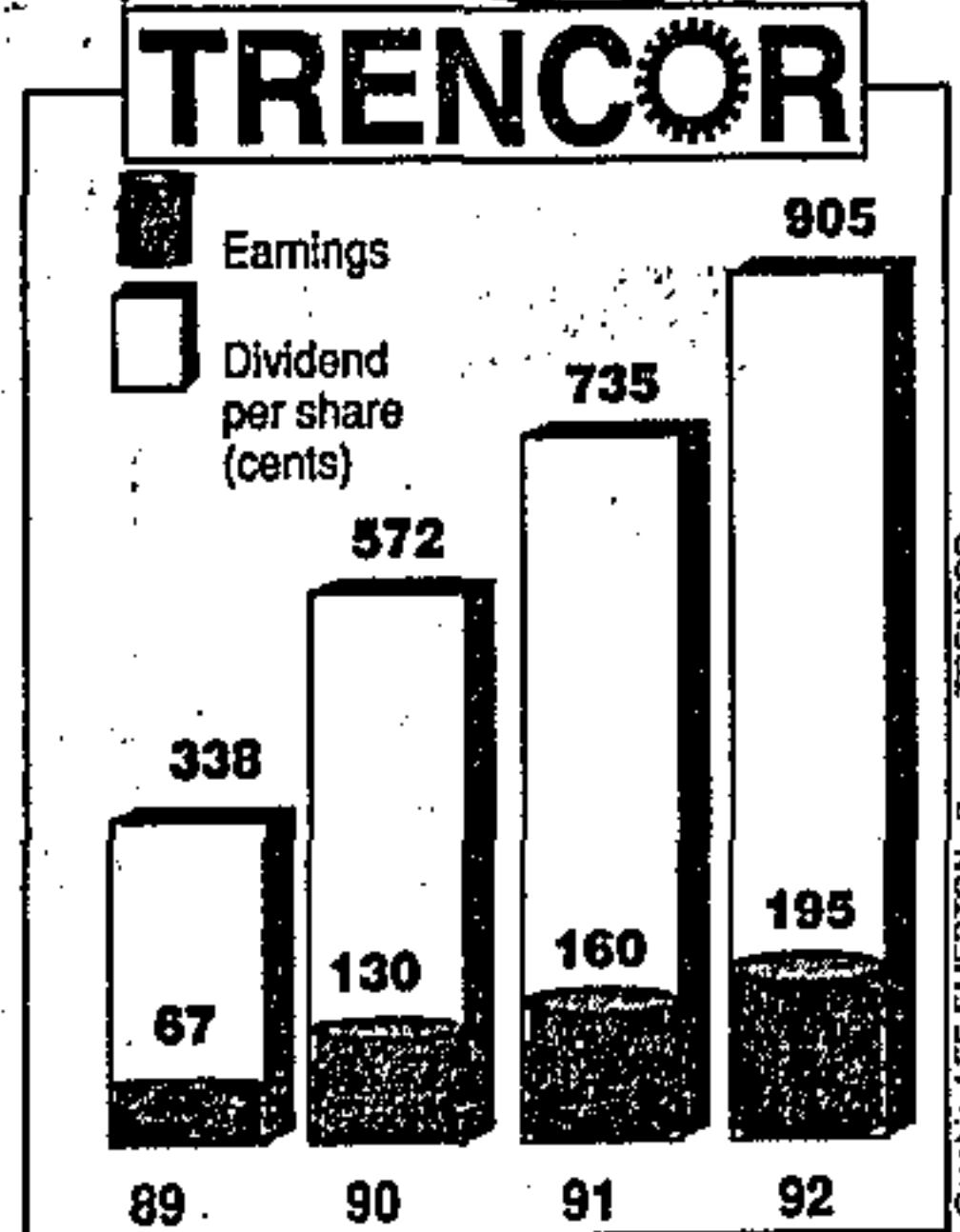
"The results were achieved in the face of recessionary conditions confronting domestic operations and a weakening in the container market, which is the main thrust of our export activity," he said.

"While the divisions in SA managed to hold performance at last year's levels, overseas operations improved their contributions to earnings."

Trenchor manufactures trailers, tankers and containers and is involved in transport, tyres, exporting and trading. Undisclosed overseas operations and exports contribute more than half of net attributable income.

Turnover rose 20,3% to R997,7m (R829,2m), with pretax income increasing by 29% to R170m (R132m), of which R17m was interest earned on R260m raised in the debenture issue. On a slightly higher tax rate, attributable profit rose 23,6% to R130m (R105,2m).

Jowell said the sharp rise in turnover was mainly attributable to the



acquisition of Crosscape Express, Swift Engineering and Poole Industries and the increase in the stake in Contred to 25,61%.

The tyre interest contribution was lower than last year's because of pressure on margins caused by the flood of tyre imports.

The effect of the weaker container market was felt in the second half when pressure on margins increased from new manufacturing capacity and the ability of foreign competitors to offer low prices and attractive credit terms.

Jowell said that for most of the year Trenchor produced earnings from previously negotiated favourable contracts but in the last six months orders were signed in a much more competitive environment. Also, the changing SA trade balance forced the group to bear the costs of shipping containers to points of demand.

Fluctuations in currencies had a neutral affect on the results.

**No relief in sight**

**Sondor joint MD Robin Marx** reckons Sondor mirrors the condition of secondary industry in SA. Demand for the closed cell plastic and rubber products it produces as a basic commodity for industrial uses, waxes and wanes according to the state of the economy, he says.

*continued*

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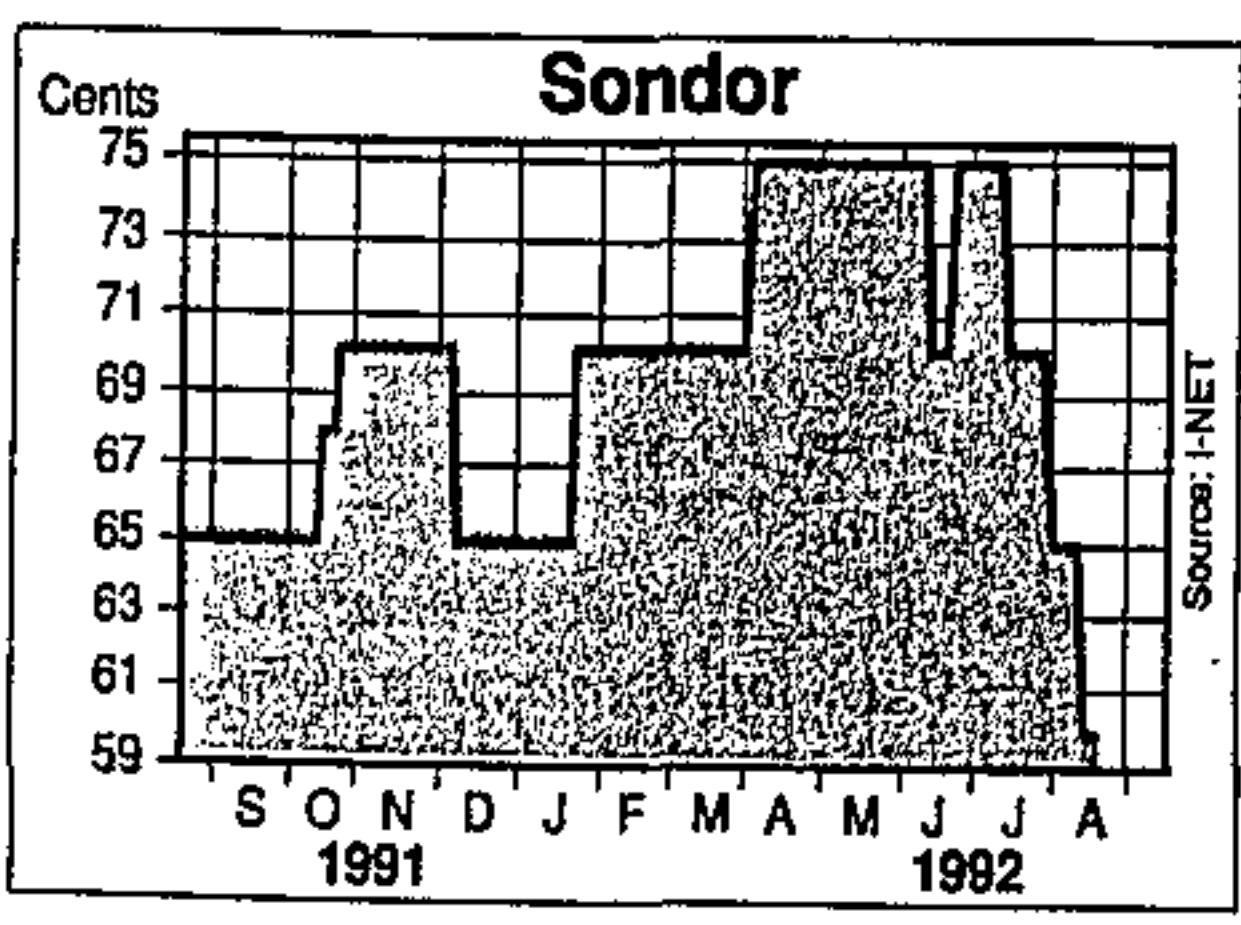
**COMPANIES**

**Activities:** Converter of rubber and plastic.  
**Control:** Directors 54%; Zimco 37%.  
**Chairman:** S Goldman; Joint MDs: R Marx; B D Tilney.  
**Capital structure:** 24m ords. Market capitalisation: R13,2m.  
**Share market:** Price: 55c. Yields: 10,9% on dividend; 19,5% on earnings; p:e ratio, 5,1; cover, 1,8. 12-month high, 75c; low, 55c. Trading volume last quarter, 48 000 shares.

Year to Mar 31	'89	'90	'91	'92
ST debt (Rm) .....	0,86	0,28	0,7	0,8
LT debt (Rm) .....	—	—	1,9	1,3
Debt:equity ratio .....	0,1	n/a	0,17	0,2
Shareholders' interest	0,75	0,82	0,7	0,66
Return on cap (%) ..	51,0	45,6*	30,0	26,3
Turnover (Rm) .....	17,7	18,9*	19,2	25,6
Pre-int profit (Rm) ...	5,6	5,9*	5,3	5,2
Pre-int margin (%) ..	32,0	31,0	27,4	20,3
Earnings (c) .....	16,6	18,3*	12,9	10,7
Dividends (c) .....	5,5	5,0*	5,5	6,0
Net worth (c) .....	33,9	43,8	55,3	54,1

\* Annualised.

On that basis, Sondor did reasonably well in fiscal 1992, when industry earnings generally were collapsing. Though EPS fell 17%, they include a substantial, undisclosed, but



expected amount related to relocating newly acquired Fife Tape Converter's operations to Sondor's branch premises around the country. This included modifying production, marketing and accounting procedures to marry with those of the group. Without these costs, says Marx, EPS would have at least equalled those of 1991.

Three other points of interest arise from Sondor's 1992 annual report. Firstly, the balance sheet shows a substantial increase in shareholders' debenture account. This arose out of a scheme of arrangement in July last year to issue debentures that would replace

existing distributable reserves of the company.

Secondly, should the Receiver of Revenue rule that tax allowances on film investment partnerships are to be retrospectively disallowed, it could hit Sondor hard. The company has raised a contingent liability for R7,8m. Marx expresses guarded optimism that the investment will qualify for the tax relief claimed.

Third, as only 8,8% of the ordinary shares are held by non-executive directors and the public and are seldom traded, this information is little more than academic to the stock market.

Marx reckons Sondor's trade in the past two months has slumped. Judging by the sentiments expressed to the FM in recent weeks, that is an accurate reflection of the current state of secondary industry throughout the country.

Since there does not appear to be any short-term relief on the horizon, the position does not bode well for Sondor's performance in its 1993 fiscal year.

Gerald Hirshon





## COMPANIES

### Gentyre deal up in the air

NEGOTIATIONS for the acquisition of a stake in Gentyre by Germany's Continental were unlikely to be finalised until the socio-political situation in SA stabilised, Gentyre chairman Terry Rolfe said.

In his review of Gentyre's results for the six months to end-June 1992, Rolfe said discussions for the acquisition of a minor stake in Gentyre were still taking place. Gentyre's technology agreement with Continental would not be affected by the non-conclusion of the negotiations.

Sales of Gentyre's industrial rubber products and tyres improved in the first half to R243,8m from R229,3m in 1991. However, operating margins fell to 9,3% from 10,9% at year-end and from 11,1% at the interim stage in 1991. As a result, operating profit was lower at R22,6m (interim 1991: R25,4m). *BIDAY 31/8/92*

Rolfe said the tyre division maintained, and in some sectors, improved its share of a market characterised by depressed demand which exacerbated stock build-ups and led to substantial price discounting in the second quarter.

EDWARD WEST

(196)

The industrial rubber division's contribution to earnings slumped because of poor trading conditions in the automotive and mining industries.

Interest received increased to R5,8m (R3,7m), not enough to prevent pre-tax profit dropping to R28,4m from R29,2m in the first half of 1991. Taxed profit was R28m (R29m). Attributable profits of R27,9m (R29m) translated to earnings of 179c (186c) a share. The interim dividend was maintained at 55c a share.

Rolfe said benefits from the introduction of new technology, in which the group had invested R100m over the past three years, were blunted in the first half by difficult trading conditions.

While accurate forecasting was impossible in the current unsettled environment, management was confident that measures taken to improve efficiency, expand local and export markets and promote profitability would produce creditable results for the year as a whole.

# Gentyre pays same

Gentyre Industries maintained its dividend of 55c for the half-year to June, despite a further deterioration in trading conditions. STAR 31/8/92.

Chairman Terry Rolfe says the tyre division did well to maintain and even improve its market share in some sectors, despite depressed demand and substantial price discounting in the second quarter.

Turnover increased by six percent to R243,8 million (1991: R229,3 million), while taxed profit was R28 million (R29 million).

Profit attributable to ordinary shareholders reached R27,9 million (R28,9 million), while earnings per share declined only four percent to 179c.

The industrial rubber division was affected by poor conditions in the mining and automotive

industries, its primary customers, reducing its contribution to earnings, says Mr Rolfe.

Although the benefits of the introduction of new technology, especially in the tyre division, were blunted by the difficult trading conditions, management is confident that improvements in efficiency and the expansion of local and export markets should produce creditable results for the full year.

Gentyre says negotiations with Continental of Germany, referred to earlier in the year through a cautionary notice, are unlikely to be finalised until a more stable socio-political environment is experienced.

However, Gentyre's existing technology agreement with Continental remains unaffected by the negotiations, it says. — Sapa.

# Exports help to keep Tiger Wheels on track

31 DAY 17/9/92

EDWARD WEST

TIGER Wheels remained firmly on track in the year to end-June 1992 and managed to more than double attributable profit in spite of a tight squeeze on profit margins.

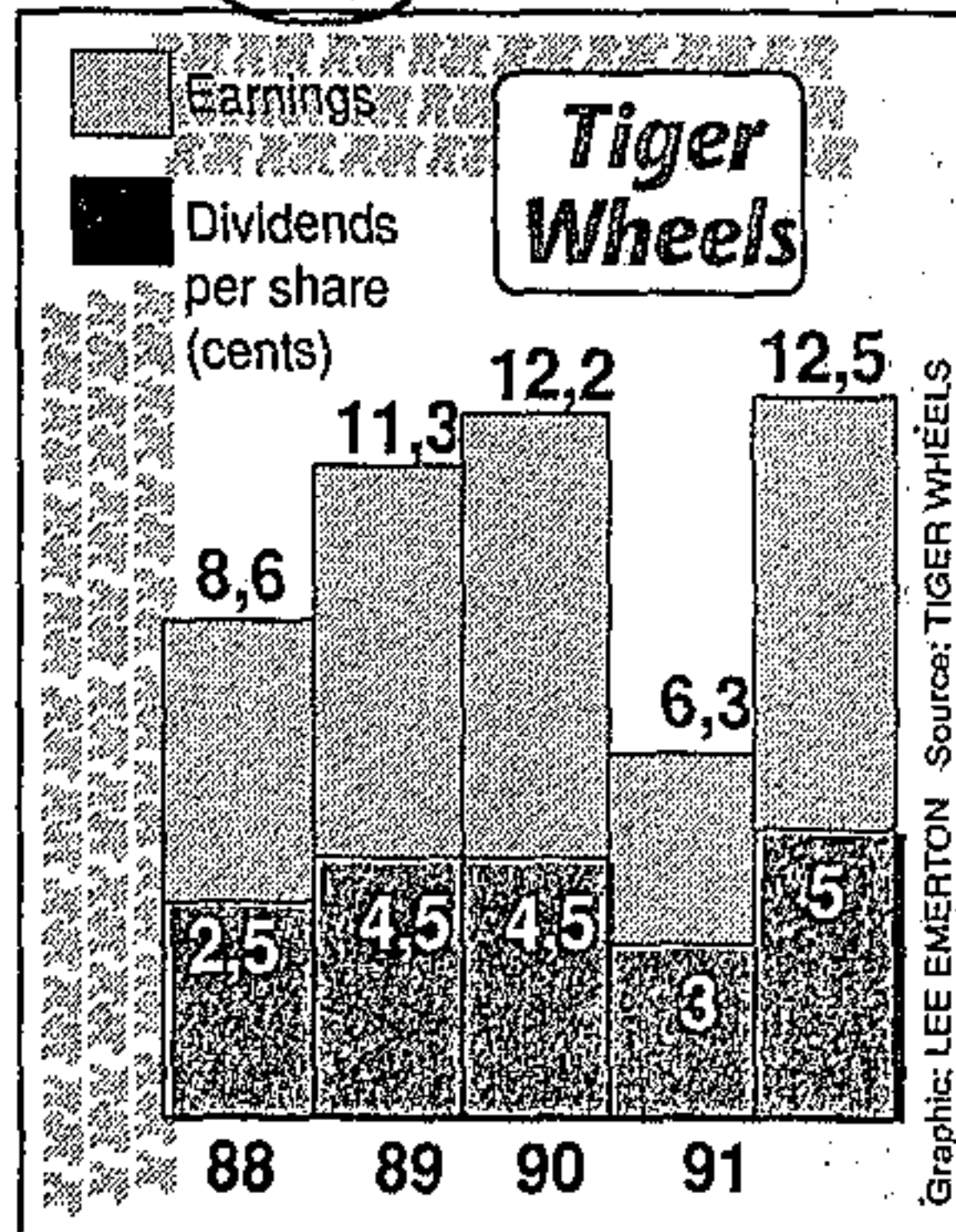
Boosted by the export of alloy wheels, the tyre and wheel group's attributable profit increased to R3,8m from R1,8m. Earnings were equivalent to 12,5c a share compared with 6,3c a share at the end of the 1991 financial year.

The annual dividend was raised to 5c a share from 4,5c a share. Shareholders were again given the opportunity of taking up bonus shares instead of the dividend — an option which attracted 82% of shareholders' support in the past.

Turnover increased 36% to R87,5m from R64,4m, mainly as a result of increased exports. Joint MD and CE Eddie Keizan said the group's growing overseas activities — exports had nearly doubled every year since 1982 — would be boosted by the acquisition of a stake in a greenfield company in the US to distribute its alloy wheels in North America.

He said start-up losses associated with the US operation offset profit generated in the group's other offshore venture in the UK and resulted in associated companies reporting losses of R19 000 (1991:R136 000).

The squeeze on margins was reflected in the 7% increase in income before interest to R6,5m from R6,1m. Margins were also down as a result of the group's efforts to gain market share, he said.



The interest bill was R2m (R1,7m) which left pre-tax profit 93% higher at R4,6m compared with R2,4m in 1991, when the group had to absorb a R2m abnormal loss as a result of raw material problems. Tax was R745 000 (R386 000).

The sale of property generated an extraordinary income of R1,8m which was not reported below the line.

The balance sheet was healthy, with shareholders' funds up by 40% to R19,2m (R13,7m). Interest-bearing debt fell to R6,5m from R7,6m, which left the debt/equity ratio close to 1:3.



## BTR Dunlop gets new rating

EDWARD WEST

196

REPUBLIC Ratings has accorded BTR Dunlop a higher rating for its ability to honour short-term borrowings, but a lower rating for long-term debt. *B/DAY*

Republic director Dave King attributed the "A1" short term investment grading to BTR's track record, management and brand positioning. Financial risk was considered low with funding historically sourced from internal cash generation. Interest bearing debt was minimal.

BTR was accorded less favorable "A-" rating for longer term risk because of structural imbalances in the tyre manufacturing industry, King said. *18/9/92*

With liberalisation of trade regulations, imports had made strong headway into the market as SA manufacturers had to source locally manufactured raw materials at uncompetitive prices, he said.

BTR's volumes and margins had fallen significantly over the past 18 months, a trend which Republic believed could be exacerbated, particularly if government declined the tyre manufacturer's application to raise ad valorem tariffs and ban the import of secondhand tyres.

**Activities:** Manufactures rubber products for footwear and industrial use.

**Control:** Conshu 88%.

**Chairman:** R M Feinblum; MD: R D Radford.

**Capital structure:** 61m ords. Market capitalisation: R41m.

**Share market:** Price: 67c. Yields: 7,8% on dividend; 15,2% on earnings; p:e ratio, 6,6; cover, 1,9. 12-month high, 95c; low, 70c.

Trading volume last quarter, 90 800 shares.

Year to June 30	'89	'90	'91	'92
ST debt (Rm) .....	0,5	1,8	2,3	0,7
LT debt (Rm) .....	1,1	0,6	1,2	0,5
Debt:equity ratio .....	0,27	0,03	0,05	0,02
Shareholders' interest .....	0,44	0,72	0,69	0,68
Int & leasing cover ..	6,7	5,3	4,4	9,7
Return on cap (%) ..	26,7	15,2	17,9	10,7
Turnover (Rm) .....	21	11	130	129
Pre-int profit (Rm) ...	2,9	12,8	17,1	10,9
Pre-int margin (%) ..	13,4	11,6	13,2	8,4
Earnings (c) .....	11,6	13,0	15,2	10,2
Dividends (c) .....	4,6	5,2	6,0	5,2
Net worth (c) .....	44,0	99,3	108,5	113,5

the mining, vehicle and agricultural markets — and a strike that resulted from the merger of the Phoenix and Wayne divisions — saw operating income down 23%.

Chairman Robert Feinblum considers the 33% decline in EPS satisfactory given the difficult trading conditions and the industrial action. A dividend was declared despite the earnings slide, because of the board's confidence in the effectiveness of rationalisation programmes.

Stocks and debtors increased substantially but interest-bearing debt remains under control, having fallen by two-thirds.

Closure of the Phoenix plant and the relocation of production to Wayne's Isipingo factory cost about R3m.

Wayne Rubber Western Cape, the latest acquisition, did not perform as expected. It was hoped that it would boost turnover by about R23m. Financial director Charles Rapp says the company is only now showing signs of turning.

Though disclosure in the annual report is minimal, Rapp says the rubber division was the weakest performer. Nevertheless, it has the financial strength — the group is almost debt free — to maintain leadership in the supply of rubber and PVC products.

Through diversification Wayne now has footholds in the mining, agricultural, motor vehicle, pedestrian tiling and, more recently, the low-cost housing industries. Because the business is relatively capital-intensive, any increase in volumes will translate into bottom-line profits. While acquisitions remain possible, the plan is to expand activities into Africa.

Returns on equity and capital continue their negative trend, though benefits from the acquisition and rationalisation programmes should be reflected in 1993 figures.

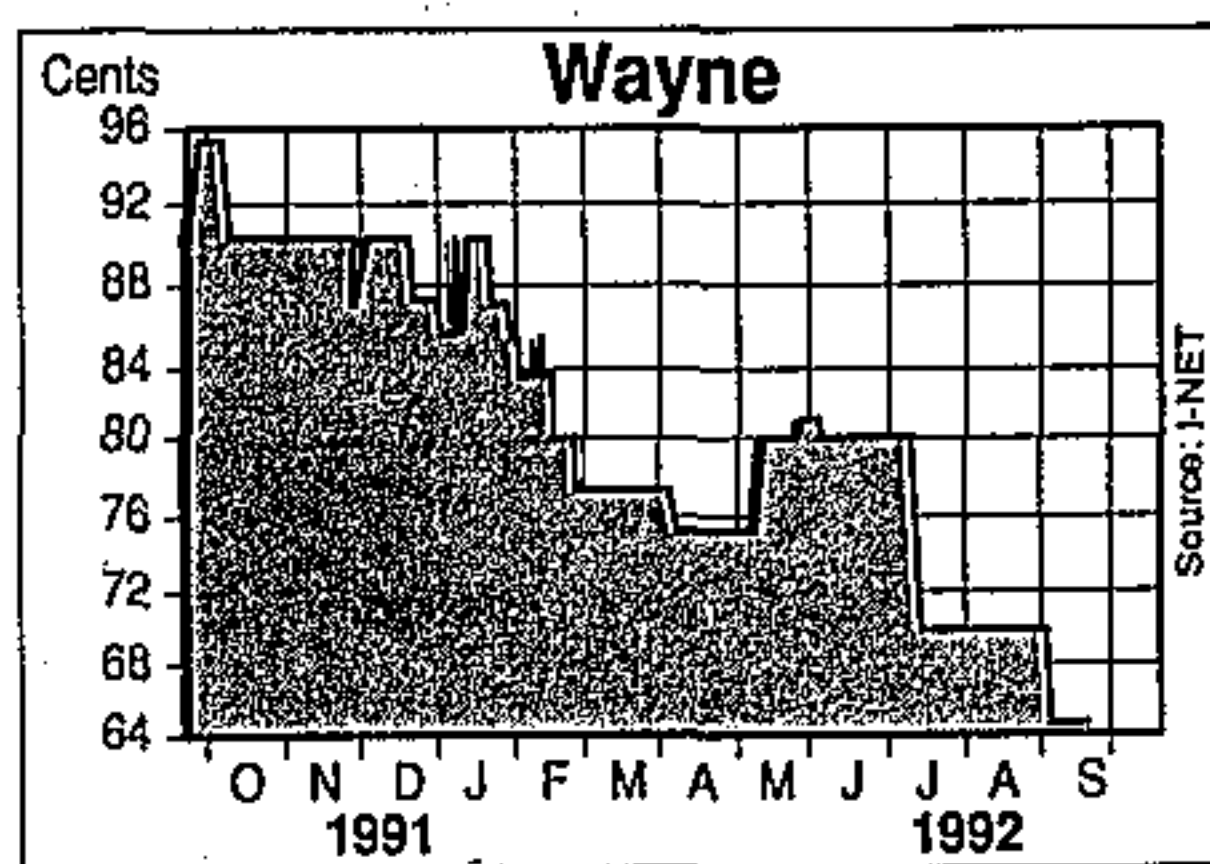
The share may be underrated on a p:e of 6,6 and dividend yield of 7,8% in view of the diversity of its markets and its sound financial management.

Marylou Greig

WAYNE FM 25/9/92

Returns falling (196)

Wayne depends largely on consumer demand for PVC and rubber products in the mining and industrial sectors. Reduced demand in



continue ->

## Tiger Wheels

(196)  
expects to

Blom 18/11/92  
keep rolling

Business Day Reporter

TIGER Wheels planned to maintain its present performance if conditions did not worsen significantly, joint chairman and CE Eddie Keizan said in the company's annual report.

Political uncertainty, drought and the economic downturn in Europe and the US made forecasting "hazardous", but the company was poised to take advantage of any possible upturn in the economy.

Keizan said he was satisfied with the results achieved in the past financial year.

Management had succeeded in bringing group stock down to just less than 90 days from 101 days and debtors to 48 days from 52 days.

The company had a focused balance in its business operations, which were spread between manufacturing, wholesale and retail.

The company had investments in businesses on three continents and exported to all five, he said.

"It is this mix, combined with carefully chosen market niches — primarily in wheels and tyres — that has made the group less vulnerable to cyclical swings in the SA motor industry," he said.



# Bid to streamline SA tyre manufacturers

S/Times (BUS) 29/11/92

196

By ZILLA EFRAT

A BOARD on Tariffs and Trade (BTT) investigation into the R1,6-billion-a-year tyre industry may lead to some rationalisation.

Tyre Manufacturers Conference (TMC) executive director Gert Fischer says certain tyres could be made by only one SA manufacturer. Different sizes would be

spread among manufacturers.

SA produces about 250 sizes of various types of tyres based on specifications from vehicle manufacturers. They range from passenger, truck to earthmover, mining and tractor tyres.

Manufacturers find it costly to gear up for each size run and may consider sharing production.

However, varying technologies and raw materials used by different producers could pose a problem.

Dr Fischer says the TMC has suggested to the Government that the duty structure remain when import controls on tyres are lifted. It believes a higher formula duty should

be introduced to counter imports of low-cost poor-quality tyres.

In exchange, the tyre industry would rationalise some of its operations and improve productivity.

The BTT investigation was initiated after the industry asked for higher protection from imports. Between 1986 and 1990, new-tyre import volumes rose by an average of 22% a year.

This growth is attributed to the competitiveness of Far Eastern exporters and the environmental hazard which used tyres pose in those countries.

SA manufacturers' share of the replacement market has been eroded to 45% from about 60% a few years ago. New and used imported tyres now claim 25% of this market. A factor is that imported used casings are sold as used tyres.

Dr Fischer says the SA industry cannot compete on equal terms with foreign manufacturers because of so-

cio-economic, financial, technical and structural disadvantages.

The industry's costs are inflated by SA raw-material prices which are higher than elsewhere. SA raw materials rely heavily on import control.

Dr Fischer says the industry is, however, committed to competing internationally. It is also aware of the need to achieve world-quality standards at costs which would ensure the industry's future.

He says the BTT investigation aims to improve competition and productivity. It examines the industry's cost structure, including raw materials, and looks at technology, standardisation and safety.

The TMC has recommended that the European and US example of establishing standards for imported tyres be followed — a move that would allow protection to be reduced.

The results of the investigation are expected in about March next year.



NEWS IN BRIEF

Nazi flag: industrialist rapped

MUNICH — Deutsche Aerospace said yesterday it had asked board member Karl Dersch to explain why he flew the German imperial war flag at his home. Dersch, elected to the board of the Federation of German Industry on Monday, helped organise a celebration of Adolf Hitler's "wonder weapon", the V-2 rocket, in October. The celebration was cancelled after a storm of international protest.

Two admit to firebomb killings

KARLSRUHE — Two neo-Nazis in police custody have confessed to the recent firebomb killings of three Turkish women in northern Germany that triggered a crackdown on the far-right. Prosecutors said Lars Christiansen and Michael Peters also admitted a similar attack at Moeln on November 22.

Asylum procedures to change

LONDON — EC immigration ministers have adopted a resolution to streamline procedures to weed out bogus asylum seekers, Home Secretary Kenneth Clarke said yesterday. The ministers also approved a non-binding resolution that asylum seekers should apply in the first safe country they reached.

Bruce turns to low-alcohol beer

SYDNEY — Beer-swilling, steak-eating Aussies have lost their taste for hard liquor and red meat. Figures published Down Under show that spirit and beer drinking has dropped nearly 6%, with low-alcohol beer cornering 25% of the market. Beef consumption is down more than 8%. The changes have been attributed to health consciousness and recession.

REPORTS: Sapa-Reuter-AFP.

Yeltsin calls for weaker congress

MOSCOW — Russian President Boris Yeltsin accused the country's top legislature yesterday of obstructing economic reform, and proposed it suspend its powers to pass laws.

Yeltsin, in a speech to the Congress of People's Deputies, outlined a five-point plan to end a power struggle between executive and legislative powers.

"For a transitional period Congress should concentrate only on considering amendments to the constitution. All routine legislative Acts should be considered and passed by the Supreme Soviet."

Yeltsin proposed a transitional period of co-operation of a year or 18 months.

"One gets the impression that certain deputies of the Supreme Soviet think less about the country, about reform, about carrying out decisions of the Congress of People's Deputies than about imposing their own will," he said.

In asking congress to yield some of its powers, Yeltsin was delivering a direct challenge to his most powerful conservative foes. The congress, elected at a time when the Communist Party firmly controlled the country, has launched repeated attacks on Yeltsin's radical reforms.

The standing parliament, Supreme Soviet, elected from the congress, reflects the same criticism but is smaller and more easily handled.

Yeltsin demanded stronger powers for

the executive. He said all executive decisions and the managing of state property should be conducted exclusively by government rather than parliament.

The Supreme Soviet could challenge government decisions in the constitutional court or with the president.

In return for congress's co-operation, Yeltsin said, he would surrender special powers granted to him by previous congresses to appoint ministers without a vote in parliament and to issue decrees on economic issues violating the constitution.

Yeltsin said he was willing to return to the present constitutional provisions under which the prime minister is appointed by congress and the rest of the cabinet by the president. The plan seemed unlikely to win the support of hardline deputies.

Once, when Yeltsin was reading out his proposals, a moan of discontent sounded through the Kremlin Grand Palace.

Yeltsin told congress: "Up to now, the congress has not taken any decision that could threaten civil peace in the country."

"I hope that the deputies will not step beyond these bounds in the future."

He called for a "moratorium on all action that could destabilise Russia," saying: "Currently there is confrontation between political forces that is slowing reforms, and there is neither real understanding nor collaboration between parliament and government." — Sapa-Reuter-AFP.



Russian President Boris Yeltsin watches proceedings during the opening of the Russian People's Congress in the Kremlin yesterday. Members of the Supreme Soviet sit in front of Yeltsin. Picture: AP

Hong Kong's Patten adamant on reform

HONG KONG — In a firm rebuke to Beijing, Hong Kong Governor Chris Patten yesterday ruled out scrapping his democratic reform proposals, and accused Chinese leaders of undermining local investor confidence.

"I honestly don't believe the right way for me to respond in the present circumstances is to abandon a position which I believe to be rational," Patten told jittery legislators at a special question-and-answer session.

Patten was replying to Chinese pressure in an escalating war of words between Britain and China over how this tiny capitalist enclave should operate before its transfer to Chinese Communist rule in 1997.

China wants to stifle political development in Hong Kong before the takeover. But the British colonial government wants the territory's 5.9-million residents to have more say in their own affairs.

On Monday, Chinese officials warned that any contracts, leases or agreements signed by the British colonial government but not approved by Beijing would not be honored by the Chinese after 1997.

The warning followed the Hong Kong legislature's approval last week of funding to start building a planned multibillion-dollar airport and the government's decision to award three consortia the rights to

build a container terminal. China's harsh rhetoric local stock market's key indicator fell 308.92 points, or 5.3% day to close at 5,501.71. On the market fell 176.04 points. Patten urged calm yesterday didn't hesitate to blame leaders.

"I think the people of Hong Kong deserve better than to have a government that might undermine their prosperity and stability," he said.

Sino-British ties have deteriorated since Patten, a seasoned politician, assumed office in July. He immediately proposed a government open and accountable to the people of Hong Kong — not to China or Britain.

In October, Patten introduced sweeping constitutional reforms to increase the number of legislators and voter participation in the 1995 elections.

China says the proposals violate previous agreements between Britain and London.

Although Beijing promises to give Hong Kong "a high degree of autonomy for at least 50 years after the takeover, Chinese officials have offered to replace the colony's government if Patten proceeds with his plans. — Sapa-AP.

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# European farmers on the march clash with police

STRASBOURG — Several dozen farmers protesting against an EC-US trade deal clashed with police yesterday when they tried to reach the European parliament building in Strasbourg.

Witnesses saw farmers ripping up paving stones and hurling objects at riot police who responded with volleys of tear gas.

Local officials said between 100 and 150 mostly French farmers had tried to break away from the march to reach the parliament but quickly gave up.

Organisers have urged the farmers, who came to Strasbourg from all over Europe and beyond, to remain peaceful. French Prime Minister Pierre Bérégovoy warned at the weekend that any violence would do untold damage to the farmers' cause.

Local officials put the number of demonstrators at 40 000 by mid-morning. Up to 70 000 are expected to show up for the day-long demonstration.

In Tokyo, meanwhile, Japanese Prime Minister Kiichi Miyazawa told parliament yesterday Japan wanted a successful conclusion to GATT talks and sought a compromise.

The US-EC deal two weeks ago made Japan's refusal to open its rice market a priority for the long delayed Uruguay Round talks under GATT.

Asked if Japan would continue to oppose

GATT's plan over rice imports, Miyazawa said: "The spirit of the Uruguay Round talks is for each country to make a compromise. Our country has a policy to lead the Uruguay Round talks to a successful conclusion through compromise."

Miyazawa said Japan still wanted the GATT farm plan to be modified.

The plan asks importers of farm products to turn all non-tariff farm trade barriers into tariffs, ending Japan's 47-year ban on rice imports.

Farm analysts interpreted Miyazawa's comment to mean that Japan was prepared to end the ban if that was necessary for a successful conclusion of the talks.

Japan bans virtually all rice imports under its Food Control Law.

Agriculture Minister Masami Tanabu denied that the government had decided to end the import ban and was seeking high tariffs on rice imports and a long moratorium before importing began.

Informal meetings started in Geneva on Friday after GATT director-general Arthur Dunkel announced last Thursday that negotiators from 108 countries had agreed to try to reach a successful political conclusion of the round by the year-end.

But no fixed schedule for further negotiations has been decided. — Sapa-Reuter.

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## Bail extended for Maxwells

LONDON — A British court yesterday remanded Kevin and Ian Maxwell, sons of dead media magnate Robert Maxwell, on bail until April 1.

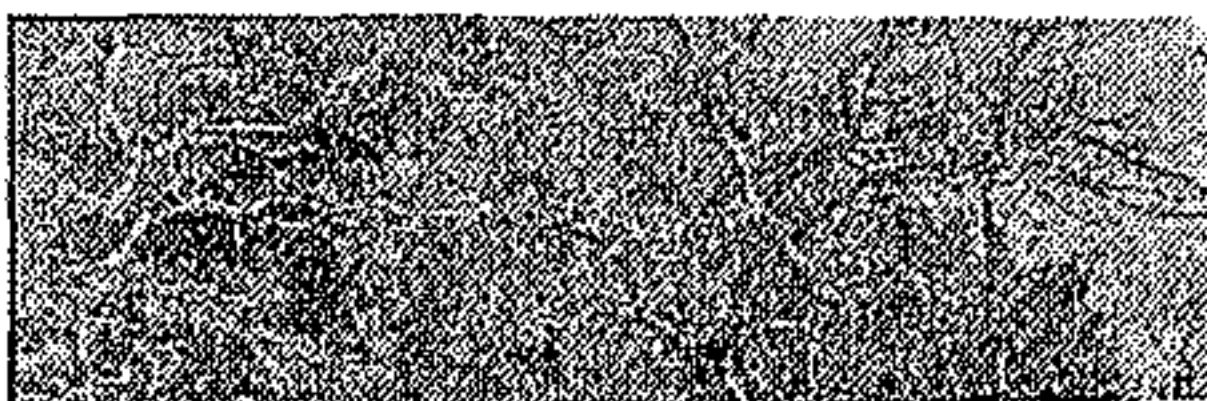
Britain's Serious Fraud Office is investigating transfers that are alleged to have led to huge losses in Maxwell companies and in pension funds under management by private Maxwell firms.

Kevin, former chief executive of Maxwell Communication Corp, is charged with eight counts of theft and conspiracy to defraud totalling more than £135m. Ian faces one charge of conspiracy to defraud. — Sapa-Reuter.



## PUBLIC AUCTION GAME RANCH ADJOINING MABULA GAME LODGE

INSOLVENT ESTATE  
W M J CO BELEGGINGS (PTY) LIMITED  
(IN LIQUIDATION) MASTER'S REFERENCE T508/91





# THE BEST GOOD PIRELLI

## SUMMER

Best imported car tyres available in  
or driving performance and  
s. For the next couple of weeks,  
icipating dealers, a free  
n every set of P4000, P600,  
tyres purchased.

ty from Tyvek which is used in the  
the Pirelli Funshade fits snugly  
green and helps keep your car  
in the sun. It also folds up neatly  
our car's side-pocket or cubbyhole.



## Environmental worry over casing disposal

THE disposal of SA's 7-million  
scrap tyres is an issue of environ-  
mental concern.

The issue was addressed at a  
symposium held by the tyre and  
rubber industry's national recyc-  
ling committee earlier this year.

Tyres are not considered haz-  
ardous or a danger to the envi-  
ronment until they reach the  
scrap heap.

Once there, the water that col-  
lects in them provides an ideal

breeding ground for mosquitoes,  
while storage near inflammable  
substances can result in atmos-  
phere-polluting fires.

The nature of tyre construc-  
tion — with steel beading —  
makes them very difficult to dis-  
pose of. Some municipal dumps  
will not accept old tyres, while  
others accept only cut-up rubber.

However, new uses have been  
found for old tyres. They are used

to create artificial reefs in the  
sea, to stop soil erosion or put  
into service as bollards dividing  
highways.

Tyres can also be used for  
making asphalt, as animal feed-  
ing troughs, truck bed liners and  
door mats. Studies are being con-  
ducted with regard to the burn-  
ing of rubber for fuel. Ultimate-  
ly, tyre disposal remains a  
community problem which must  
be addressed.

# TYREPRO

The Tyre Professionals

WE SUPPLY THE WHEELS FOR  
SOUTH AFRICA'S TRANSPORT



A L E C



196.

# Poor maintenance is to blame for blowouts

TYRE failures are the most frequent cause of accidents on our roads, next to driver error.

The front wheel blowout is a phenomenon for which the manufacturer invariably is blamed.

Blowouts are rarely caused by manufacturing defects. Research shows that the prime cause of this failure is underinflation.

Drivers seem ignorant of the importance of correct tyre maintenance, and for this reason often experience tyre failure.

A tyre is a pressure vessel. It is the air in the tyre — and not the tyre itself — that carries the load. The tyre serves to absorb shock, provide traction and displace water.

## Example

Here is an example of what underinflation does to a tyre. A 185 X 14 car tyre, with a recommended pressure of 2 bar, if run 25% underinflated or at 1,5 bar, will undergo the following changes:

□ At a constant speed of

90km/h over a distance of 10km, the tyre will run at a temperature of 107 deg C and a 28% reduction in the strength of bonding agents will occur; and

□ At 110km/h, the temperature rises to 117 deg C and only 25% of the bonding will remain in place. Should the speed be maintained for a while the tyre will begin to break up internally and eventually succumb to a blowout.

The breakdown of the bonding agents is irreversible. Simply inflating the

tyre will not repair the damage.

A weekly pressure check at a filling station should reduce the risk of failure.

## Smooth

Another major cause of tyre failure is worn or smooth tyres with little or no tread.

Tycon service manager John Phayre says: "Smooth tyres are a major threat to highway safety.

"A smooth tyre provides very little grip on wet roads and is also not puncture re-

sistant, making it hazardous."

Engineers responsible for Goodyear's radically designed wet-traction tyre, the Aquatred, say that all passenger cars are built with a wet-bar indicator built into the tread.

When a tyre nears the end of its tread life, the bar appears, warning the motorist that it is time for tyre replacement.

In SA the indicator bar appears at a tread depth of 1mm, which is barely on the legal limit of 1mm across the full tread.

## Belt replacement now a reality

NOT long ago, belt damage spelt the death of an expensive radial casing.

Belt edge separation, rust, or damage from wheel lock-up rendered it useless.

Bandag has, however, made belt replacement a reality for pre-cured retreads. It is one of the advances in Bandag's ECL-system, which makes it possible to remove and replace the top two belts of many steel-belted radials.

By adding re-belting to

its repair techniques, Bandag can practically remanufacture a tyre, says marketing manager Glen Sherrell.

Belt replacement helps keep trailer and drive tyres on the road. With the ever increasing cost of new tyres and a shortage of radial casings, any extra life

makes a big difference.

Combining re-belting with Bandag's advanced repair techniques, it is possible to get two or even more lives out of a casing. Field surveys indicate that as many as 35% of rejected casings could be placed back in service with Bandag's re-belting process.

## Retreads recognised as a cost saving answer

AFTER labour and fuel, a motorist's biggest expense is tyres, and for this reason it pays to manage them carefully, says Bandag sales manager Glen Sherrell.

The acceptance of retreads has grown to the point where they have overtaken the new tyre market in terms of replacement of medium and heavy-duty truck tyres. Sherrell says the main reason for this is cost effectiveness — 75%-80% of a new tyre's cost is in its casing.

Retreads also reduce unnecessary waste.

The main elements of a tyre maintenance programme are inflation, inspection, repair and retreading. If you are to retread your original tyres you should aim to maintain the best possible casing. It is impossible to retread a poor casing.

The first element of successful tyre management is the purchase of the right tyre

at the outset. Factors to be considered here are size, casing strength and tread design.

The next step is selecting a retreader. There are different retreading processes to choose from.

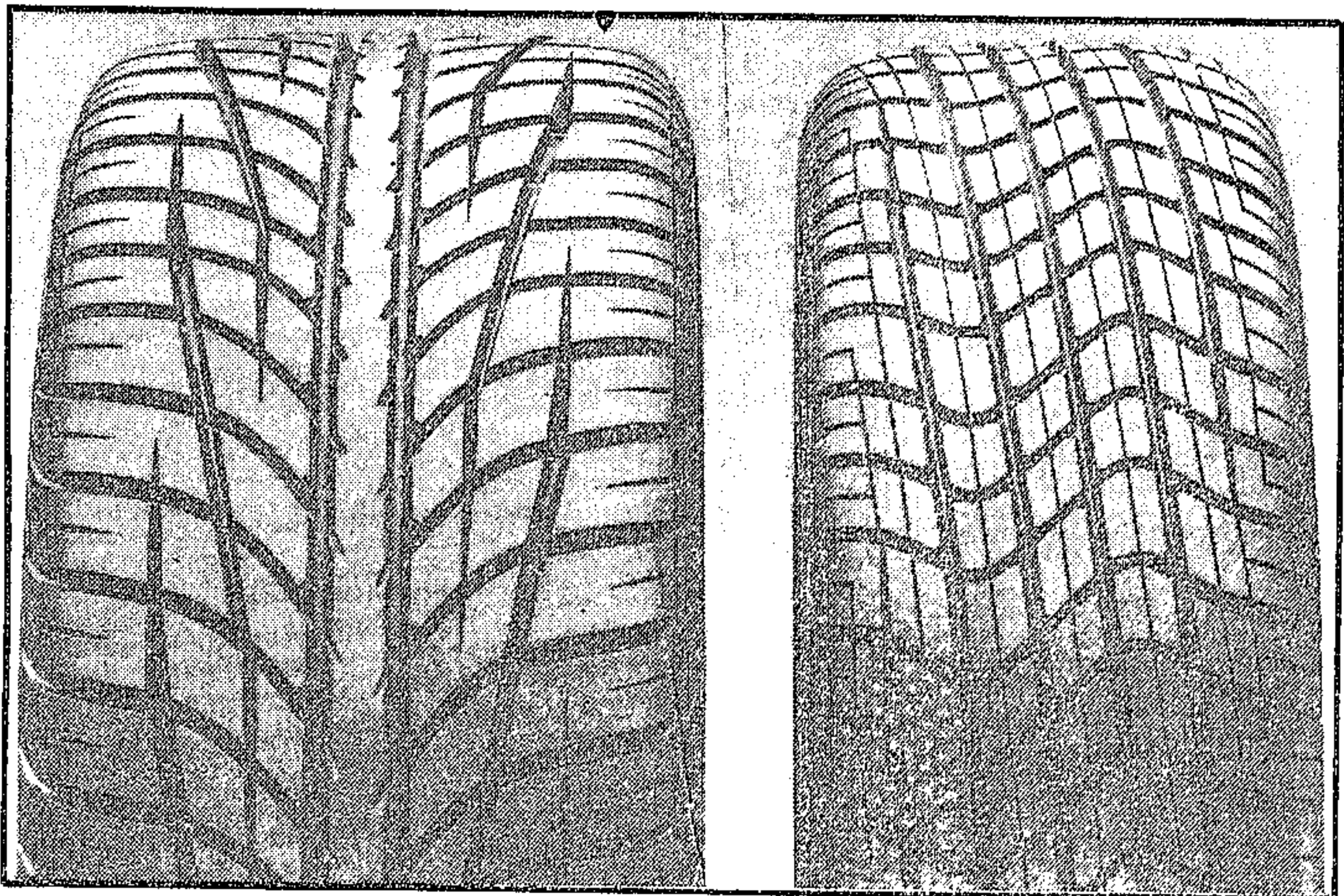
Top companies have the right equipment for mechanical testing.

Every tyre displays a memory of all the curbs and potholes it has traversed, resulting in small separations between plies which cannot be detected by the naked eye. Mechanical inspection will find these defects and determine whether there are too many for safe retreading to be carried out.

If the anomalies are minor, the tyre can be returned to drive axle service after retreading. The next level is a casing that can be repaired for trailer axle use; then there is the casing which can be repaired for safe use in short-haul operations.







Pirelli's ultra high performance tyres of the 21st century, currently codenamed ZR5 (left) and ZR4.

## Pirelli is racing into 21st century

ITALIAN tyre manufacturer Pirelli is wasting no time developing tyres for the 21st century, if its latest prototypes are anything to go by.

Its two newest products, which boast a radical new tread pattern, are codenamed ZR/4 and ZR/5.

Pirelli says they should be ready for testing by leading car manufacturers by the mid-'90s.

Both will exceed the much greater demands placed on them in terms of performance and safety by the next generation of supercars, which will boast a

new range of intelligent systems for braking, steering and suspension.

Pirelli has applied for patent rights for the new ZRs. The tread patterns on the new tyres are said to take asymmetric and directional designs almost to the limit of modern development techniques.

### Symmetry

Pirelli engineers describe the ZR/4 as "a tyre of longitudinally oblique symmetry" and the ZR/5 as a "longitudinally discreet directional tyre".

The ZRs are part of Pirelli's continuous development programme, in which its advanced tyre organisation and motor-sport group work together on the development of tyres for road and track. The team's successes include the Pirelli P-Zero for 18-inch rims, which Ferrari adopted as standard equipment for its new 512TR.

Until recently, 17-inch diameter was considered the limit. However, Pirelli is now supplying 19-inch tyres to teams competing in the European touring car championships.

## Eagle GTA secret is F1 technology

GOODYEAR has adapted some of its racing technology to create the Eagle GTA high-performance road tyre.

Tycon technical manager Kevin Stevens says what makes the GTA different is the tread pattern.

"The GTA was developed to provide the motorist with great roadholding and performance in wet conditions. At the same time, the GTA is less noisy on the road while providing greater comfort."

Stevens believes that the fact that the GTA is derived from Formula One technology is what makes it such a great performer in both the wet and the dry.

The GTA makes use of a two-way groove in the tread pattern, which enables it to disperse water more effectively (Goodyear claims 26l/a second) and helps to reduce tyre roar.

Goodyear attributes the GTA's success to the fact that it is designed to maintain tension levels in the tyre carcass, allowing for a perfect balance between ride comfort and

handling.

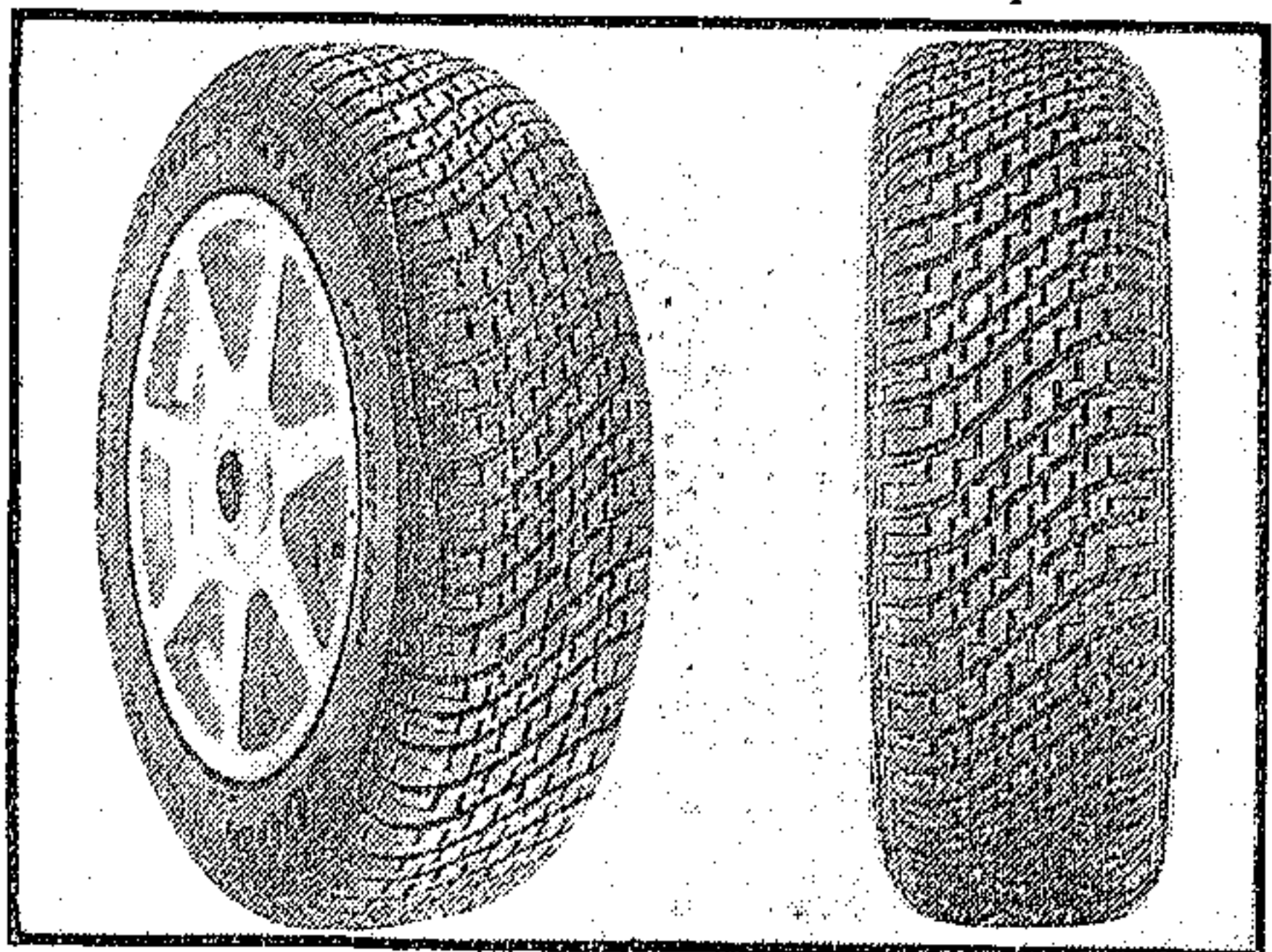
The greater the portion of rubber planted firmly on the road, the better the handling, is the theory. The use of computer technology has enabled Goodyear to test and prove this theory.

Research produced Goodyear's highly successful low-profile Eagle Formula One tyre, which reaped instant rewards.

Tycon production and de-

velopment manager Derrick Manfredt says: "The Eagle GTA is designed to meet the needs of the motorist who seeks quality high-performance tyres for his car. This tyre allows the motorist to get the best in terms of comfort and performance."

"In the past, motorists who wanted high-performance tyres had to sacrifice a bit of comfort, but the new GTA overcomes this problem."



Racetrack technology adapted for the road makes Goodyear's GTA a dynamic performer.

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# Business Day SURVEY

*Tyre prices are set to soar as a result of an application for an increase in the duty on imported tyres. The call for increased duties is seen as an attempt to contain imports and to keep sub-standard tyres off the market. It also coincides with the Board on Trade and Industry's intention to lift import control on tyres and rubber products.*

**JOHANN VAN LOGGERENBERG** reports.

WHEN people talk tyres they tend to refer to those on their cars, bakkies or trucks.

Little attention is paid to those on trailers or caravans, which in most instances are way behind motorcars when it comes to tyre technology.

Thousands of trailers and caravans are fitted with standard crossply tyres, and when hitched to a 2.5l Kombi or luxury ex-

## Gentyre's motor racing triumph

CONTINENTAL tyres manufacturer Gentyre has reason to celebrate since its tyres again helped clinch the prestigious Class A Group N Championship, for the fourth year in a row.

"We are particularly pleased that we not only won the top class of this popular class of racing with our high performance CV90 Sport Contact tyres, but took the manufacturer's award too, in one of the most competitive years in the history of this

## Pay attention to trailer wheels

press are often towed at speeds that their tyres were not designed to cope with, rendering them very unsafe.

With this in mind, trailer users should note that modern vehicles are capable of maintaining high speeds, so it is a good idea to ensure that the tyres fitted to your caravan or trailer are rat-

## Radical performance change likely

THE performance of tyres of the future will certainly be radically different from those of today, says Fred Kovac, Goodyear's vice-president of tyre technology worldwide.

At first glance, future tyres might not appear very different from those of the past. However, closer inspection will disclose more water-chasing aquachannels.

Asymmetrical tread patterns, allowing tyres to perform well under varying road conditions, will grow in popularity, as will "smart tyres" and tyres specially engineered for

electric compound chemistry, says Kovac.

However, the biggest changes will be unseen. Improved construction materials and methods using complex rubber chemistry are likely.

### Expand

Product design and advanced OE technology chief engineer Bill Egan says aquachannels and asymmetrical tread patterns enable Goodyear engineers to "expand a tyre's performance envelope with minimal traditional tyre engineering trade-offs in handling, traction, treadwear, noise and roll-

ing resistance".

In the past, increasing a tyre's traction capabilities with a softer, stickier, rubber compound meant faster wear. Improving one feature of a tyre's performance resulted in reducing another aspect, an expected trade-off in tyre technology.

In 1991, Goodyear's work on energy-efficient tyres produced a proposal for a new E-metric tyre complying with US regulations. It operates at higher air inflations, reduced load percentages and is expected to be used on standard vehicles in the future to improve fuel efficiency.

ed according to your travelling speed.

A trailer that sways, is unstable at more than 100km/h or tows badly can be improved by simply changing tyres.

Tiger Wheels technical manager Kevin Lee says that by fitting a wide, low-profile tyre such as a 165/70/HR10 Yokohama

(most trailers sport 10-inch rims today), the trailer will prove to be more stable at speed.

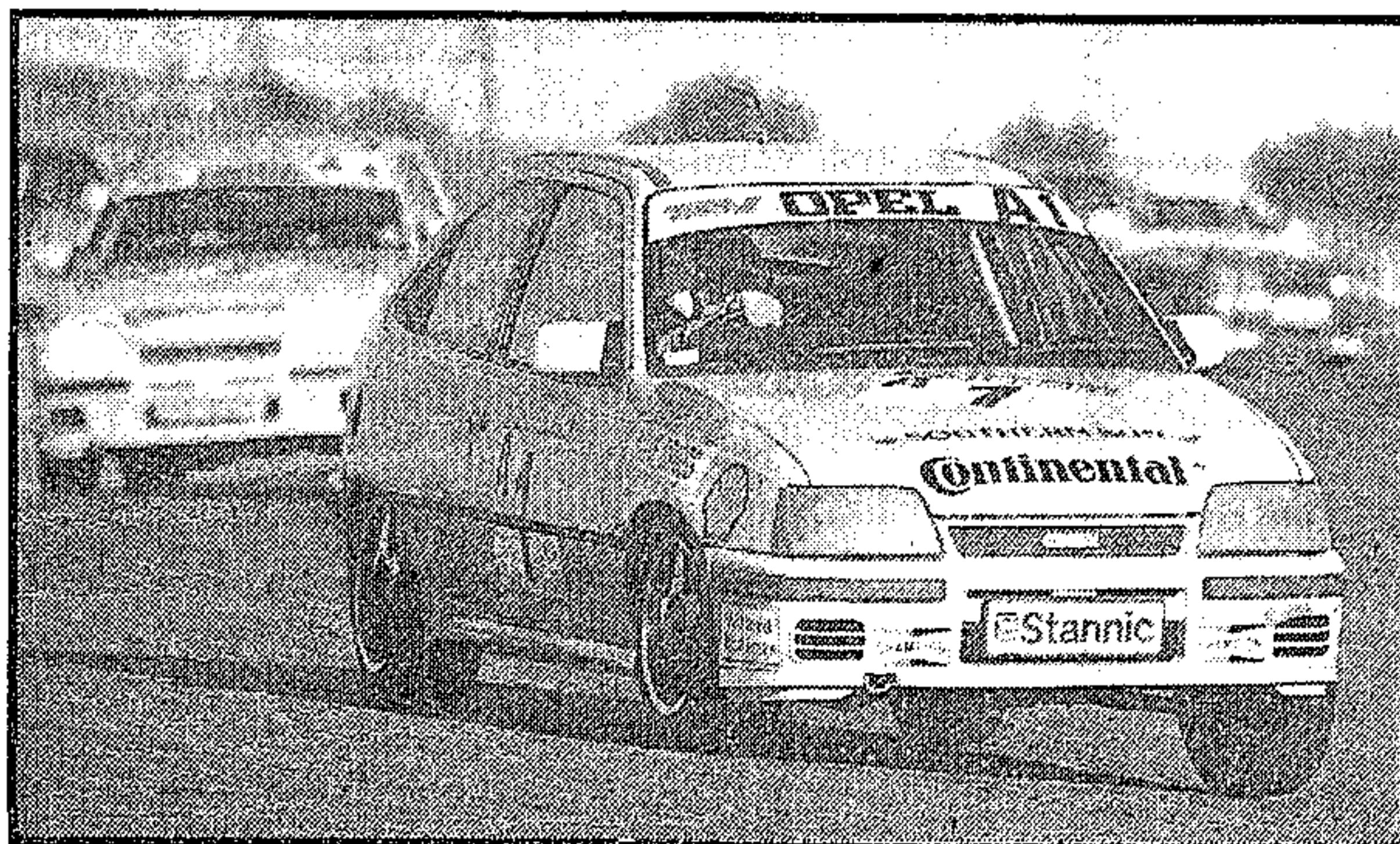
The H-rating on the Yokohama indicates that it is rated for speeds of 210km/h.

The Yokohama also has a higher load rating than that of its opposition and is capable of supporting a

heavily laden trailer without restricting towing speed, he says.

Tiger recommends that trailers not in regular use or stored in the open have their wheels covered with opaque plastic to protect tyres from UV damage.

Caravans should be jacked up on their stabiliser stands, and trailers should be stored empty to ensure that the tyres do not become flat-spotted.



Mike Briggs on his way to yet another Continental victory.

Saloon car series" said Gentyre marketing and sales director Roger Tait. "To top it all, our bottom-of-the-range Continental CS21s fitted to 1400cc cars

won Class E for cars producing up to 55kW."

Continental tyres were also fitted to all BMWs, Toyotas and Opels that set-

up and broke every SA speed and endurance record. They were also fitted to the Opel rekord Moon mission cars that travelled 572 000km in one year.

## Booklet d help drive

TO ENABLE buyers and users of Pirelli tyres to get the most from their investment, local distributor Performance Tyres has published a handy customer care booklet on car tyres and safety.

Compiled with the help of approved Pirelli dealers, the guide gives a wide range of tips.

How to read your tyre markings, tread life on various surfaces, understanding aspect ratios, rotation and balancing, towing and dealing with punctures and blowouts are among the many areas focused on in the booklet.

Performance Tyres



could have satisfied themselves in terms of after our mid-1993 results."

elsewhere in recent weeks.

organisers know he would not be coming.

# Johnson Matthey extends Rustenburg deal

LONDON — Johnson Matthey had signed an extension of its platinum market agreement with Rustenburg Platinum Mines, Johnson Matthey said in a statement accompanying its first half financial results.

"This secures the future of this vital contract into the next century," Chairman David Davies said.

Davies gave no other details of the deal, which extends the relationship between the two companies dating from the 1920s. Johnson Matthey sees strong post-



recession growth. Davies said the company had shown it could generate profit growth even in depressed markets.

The company reported a £1m rise in half year pre-tax profit to £33.2m and raised its interim dividend to 3.2p from 3.0p. **BIPM 4/12/92**

Davies said its catalytic systems division was the star performer, benefiting from new laws controlling vehicle emissions.

Divisional operating profit rose to £12.9m from £10.6m.

Johnson Matthey supplies more than a third of total world demand for autocatalysts.

The company said results in both its materials technology division and its colour and print division were close to last year's despite depressed markets.

But profit in the precious metals division fell to £10.5m from £11.9m, largely because of drops in the sterling price of platinum and rhodium by 11% and 36% respectively, the company said. — Reuter.

Introducing

Europe's most exciting new  
**PARFUM**  
pour  
FEMMES  
et HOMMES

Darmag's profit falls

# Loss of tyre operations deflates Darmag results

DUMA GOUBULE



RUBBER and plastics producer Darmag, hit by a loss of sales from discontinued tyre operations, reported a 22% decline in earnings to R882 000 for the half year ending September. **BIDM 4/12/92**

Chairman Donald Buchanan said the results showed the consequences of a period of trading tarnished by the deepening recession and industrial dispute.

Turnover declined by 18% to R11.3m (R13.8m) and operating profit by 26% to R1.1m (R1.4m). Interest payments dropped sharply — due to better asset management, Buchanan said.

Attributable earnings came to R882 000 (R1.1m), equivalent to 4c (5.1c) a share.

Buchanan said Darmag, with its high market share in the business of supplying the battery industry, remained closely linked to the fortunes of this sector and, indirectly, to that of the car industry.

Although some improvement in demand was expected, the market was still very competitive and opportunities to recover rising costs remained limited.

Entry into new markets would not make a meaningful contribution during the current financial year.

Forecast earnings would, at best, be marginally below the previous year.

Darmag's profit falls



TRENCOR, the remarkable container, exporting, transport and tyre business, has won the covered first spot in the Business Times Top 100 Companies.

Not only has Tencor won the top spot two years running, but it has figured in the top five for the past five years and been in the top 40 since 1981.

This is why. In 1988, Tencor made a pre-tax profit of R60-million and earnings a share were 254c. For the year to June 1992, pre-tax profits topped R170-million and earnings a share were 905c.

In the same five years, dividend payments have risen from 50c to 195c. Dividend cover for these payouts has not dropped below 4.4 times. This phenomenal growth in domestic and international

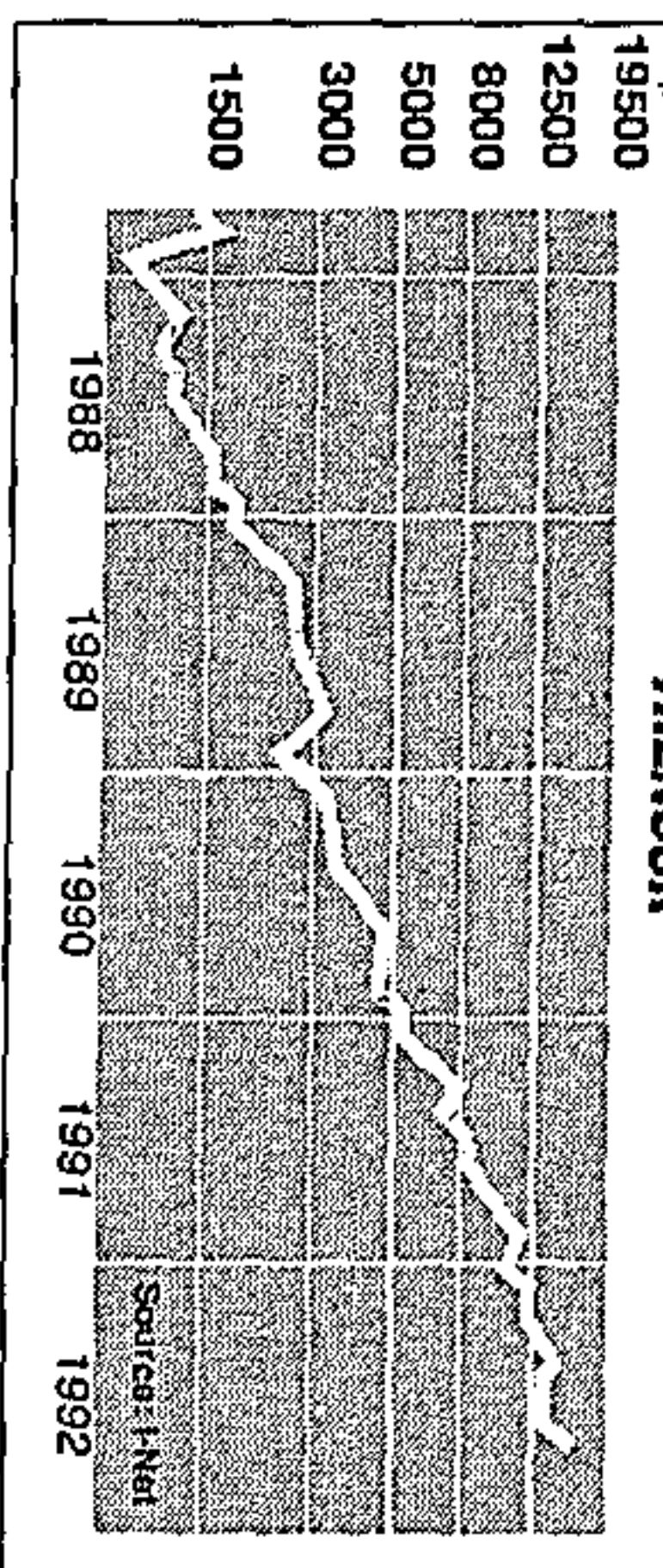
# SUCCESS WRAPPED UP IN CONTAINERS

STimes (BUS) 6/12/92

BY JEREMY WOODS

world markets is what makes Tencor a top company.

How does this extraordinary company, whose major profit contributions come from the ostensibly unexciting areas of container manufacture and



## BEST BY INDUSTRY

STimes (BUS) 6/12/92

- TRANSPORT, MOTOR
- 1 (1) Tencor 249,26
  - 2 (46) Unitrans 43,21
  - 3 (74) Gentry Industries 21,84
  - 4 (81) Toyota South Africa 15,21
  - 5 (93) Wesco Investments 11,57

- CLOTHING, MANUFACTURE AND RETAIL
- 1 (48) Wooltru 40,33
  - 2 (72) Leneo Holdings 22,97

- BEVERAGES, HOTELS, LEISURE
- 1 (6) Sunerst 120,68
  - 2 (10) Sun International (Bophuthatswana) 92,63
  - 3 (24) Spur Steak Ranches 67,47
  - 4 (62) SA Breweries 28,47
  - 5 (86) Kersal Investments 15,80

- MINING, MINING HOUSES
- 1 (35) Samancor 54,37
  - 2 (38) Palabora Mining Company 51,16
  - 3 (47) Randco 43,00
  - 4 (53) Anglo American Coal Corporation 36,73
  - 5 (54) Trans Hex Group 36,09
  - 6 (69) Associated Ore & Metal Corporation 23,78
  - 7 (72) Gold Fields Coal 23,03
  - 8 (76) Anglovaal Holdings 20,05
  - 9 (78) Gencor 18,48
  - 10 (83) Rustenburg Platinum Holdings 16,09
  - 11 (84) Trans Natal Coal Corporation 16,07
  - 12 (98) Middle Witwatersrand (Western Areas) 9,16

### WHOLESALE, RETAIL

- 1 (3) Pepgro 129,15
- 2 (26) Foschini 66,86
- 3 (27) CMA Gallo 66,32
- 4 (44) Ellerman Holdings 45,05
- 5 (51) Clicks Stores 37,86
- 6 (56) Edgars Stores 35,44
- 7 (64) Pick n Pay Stores 26,15
- 8 (67) McCarthy Group 25,29
- 9 (79) Storeco 18,04

### INDUSTRIAL HOLDINGS

- 1 (9) Imperial Group 98,82
- 2 (20) Royal Corporation 72,92
- 3 (28) South African Freight Corporation 65,28

exports, have the ability to continually show its heels to the rest of the JSE field? Tencor executive chairman Neil Jowell says: "An important part of our philosophy is our belief in people."

He and his brother Cecil and Ray Hasson have taken the family transport business of Jowells of Nannagaland and turned it into Tencor as it is known today.

Now, the business comprises four main divisions:

- Manufacturing, which produces truck trailers, road tankers, tippers and a range of dry-freight, tank and flat rack containers.
- Transport, which controls Jowells Transport, Stuarts Transport, and Crosscape Express.
- Motor trade and tyres where the group has a 25,6% interest in Condyred which owns Goodyear, Mastertrads and Trench Tyre.
- Exports and foreign operations. The latter includes large minority holdings in the Textainer group, a world leader in container leasing.

Neil Jowell says: "We find the best people we can to do the job, motivate them, mainly financially — then give them the authority to get on and run their own show."

"Our managers have true operational freedom and accept as the other side of that coin strict financial reporting and control."

Mr Jowell believes that giving management the authority to run its business is a crucial factor in attracting and keeping the right senior people.

## BAD

Another important part of the Tencor business philosophy is to stick to business; the company under-stands best.

"When we make an acquisition, we try never to get too far away from the

STimes (BUS) 6/12/92

# TOP 100

NUMBER 1

1987: R10 000 1992: R133 132

That is what they received. Jaap du Plessis built up a lorry from an old Buick and Joe Jowell was soon on the road to Bitterfontein.

It was a historic trip which did not end when Joe Jowell's first truck returned to Springbok laden with the town's supplies.

It was the start of a long and successful journey into the future which resulted in the small transport base on which today's fast-moving Tencor was built.

By the time Neil Jowell and his brother Cecil came into the business, Jowell's Transport of Nannagaland was a thriving concern whose red trucks were a familiar sight across the landscape.

In 1973 after his father died, Neil Jowell took over as chairman armed with a BCom LLB from the Uni-

abroad. Government export incentives enable the company to be competitive in the international environment.

Its export earnings are an excellent hedge against a falling rand.

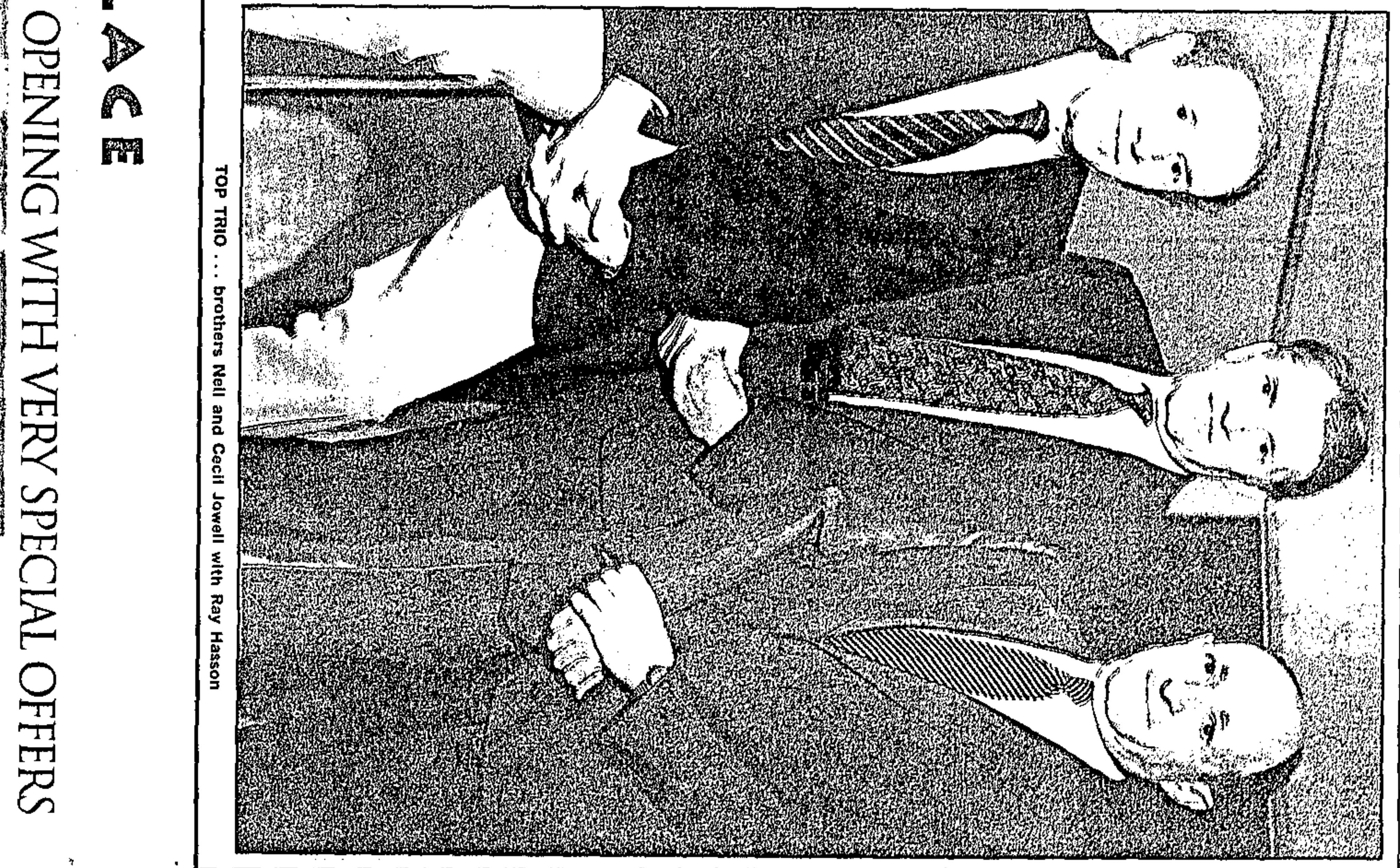
Although the company has large interests in transport, tyres and trailer manufacture, its future growth is likely to come from manufacture of containers.

This was a difficult market to break into and develop. For the first few years Tencor battled to make a niche for itself.

The company's recent purchase of its Textainer container leasing interests will "give Tencor a lifeline to stay in the export business long term".

Tencor has about 3% of the world container market and derives about 60% of its earnings from exports and foreign operations.

If it continues to make inroads into these markets as it has in the past, shareholders will reap the benefits.



TOP TRIO... brothers Neil and Cecil Jowell with Ray Hasson

# THE PALACE

CELEBRATES ITS OPENING WITH VERY SPECIAL OFFERS



Stuarts Transport, and Crosscape Express.

● Motor trade and tyres where the group has a 25,6% interest in Contred which owns Goodyear, Mastertreads and Tren-Tyre.

● Exports and foreign operations. The latter includes large minority holdings in the Textainer group, a world leader in container leasing.

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## BAD

Another important part of the Trencor business philosophy is to stick to businesses, the company understands best.

"When we make an acquisition, we try never to get too far away from the business that we know," says Mr Jowell.

Nowhere can this be better illustrated than in Trencor's development.

It started life as a garage in Springbok, Namaqualand, run by Joe Jowell, the present chairman's father, and his partner Jaap du Plessis.

The first big break came in 1930 when South African Railways closed its road transport service between Bitterfontein, where the railway line ended, and Springbok.

Road conditions were bad and few people had vehicles.

Unable to collect their supplies from Bitterfontein, the good people of Springbok went to their garage for help.

# TOP 10

NUMBER 1

1987: R10 000 1992: R1

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It was a historic trip which did not end when Joe Jowell's first truck returned to Springbok laden with the town's supplies.

It was the start of a long and successful journey into the future which resulted in the small transport base on which today's fast-moving Trencor was built.

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In 1973 after his father died, Neil Jowell took over as chairman armed with a BCom LLB from the University of Cape Town and an MBA from Columbia University in the US.

The company expanded its growing transport base and started looking for acquisitions.

## EARLY

Trailer manufacturer Henred was bought in the late 1960s and was a major milestone for Trencor, taking it into manufacturing in a big way.

The purchase of British Leyland's trailer manufacturing side and the Fruehauf franchise for South Africa introduced Trencor to Fruehauf, the largest trailer maker in the US.

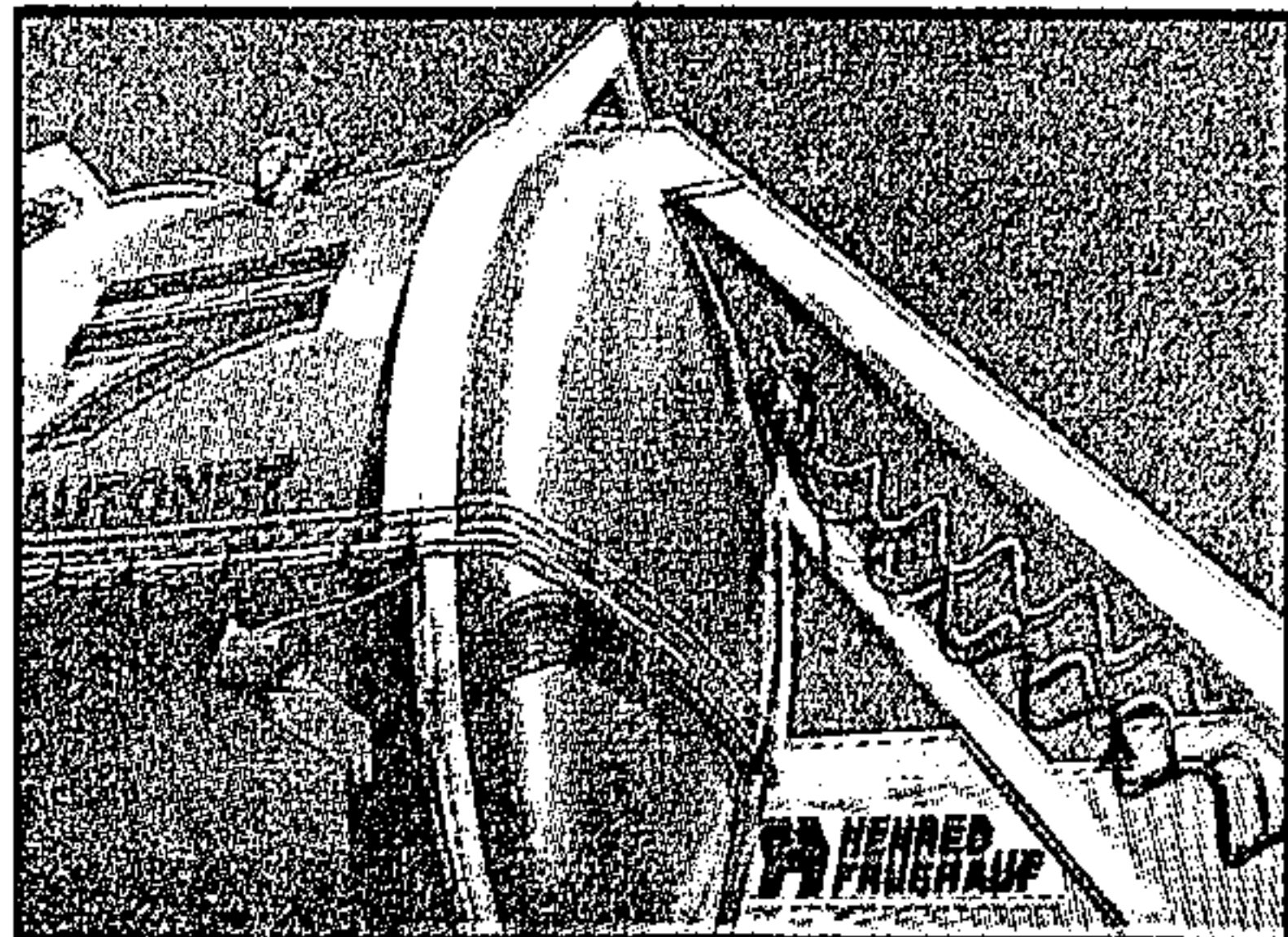
When containerisation became popular, Fruehauf started making containers

and Trencor ment watched.

Mr Jowell's early days in the business moved from transport to manufacturing in the States.

"But in catching on, we learnt a lot at manufacturing French Fruehauf."

Trencor now has more than 100 employees a year.



Trencor subsidiary Henred-Fruehauf designs and builds a range of truck trailers and road tankers, like this 40 000-litre stainless steel fuel tank.

## Out goes Contred (196)

In the mould of all Trencor's recent moves, the sale of its holding in Contred to Consol for R210m cash makes sound sense. In the old days, there was place for a tyre operation in the Jowell's Transport organisation. But in the current structure, the 25,6% holding in Contred has been more of a portfolio investment than a core business.

Director Cecil Jowell says Trencor did not initiate the sale. But when Consol's offer looked fair value, it was thought to be worth taking. It bolsters liquidity to about R310m and further strengthens the ability to take advantage of any major trading opportunities that may arise. Moreover, NAV leaps by 22,3%, indicating a healthy capital gain.

Trencor's earnings in its past financial year were boosted by interest earned on the proceeds of a R260m rights issue last December. About R150m was used to repay short-term borrowings and the balance invested. High interest rates throughout the year magnified the benefits.

The remaining R110m has been earmarked mostly for the foreign Textainer Group (*Fox* November 6), in which Trencor will take up a significant minority stake once the Reserve Bank formalises the transaction. The liquidity created by the Contred sale is, therefore, timeous.

After the deal, Consol will own 100% of Contred, whose two wholly owned operating subsidiaries are Tycon, which makes tyres and tubes under the Goodyear and Kelly brands, conveyor belting, other industrial rubber products and PVC foodwrap and Tredcor, which makes tread rubber, retreads and operates under the Mastertreads and Trentyre names.

Gerald Hirshon